

Bank Size Studied In U.S.

Superbanks Could Stand Up Against Foreign Rivals

By Nathaniel C. Nash
New York Times Service

WASHINGTON — Officials at the U.S. Treasury Department have concluded that the government should encourage creation of large banks that could better compete with financial institutions in Japan and Europe.

The Treasury plan, which would permit the acquisition of banks by large industrial companies, was also endorsed by Alan Greenspan in an interview before President Ronald Reagan nominated him last week to be chairman of the Federal Reserve Board. Mr. Greenspan said that the plan would provide multibillion-dollar pools of investment capital for a banking industry that was "severely undercapitalized." Mr. Greenspan has declined to be interviewed while he awaits confirmation by the Senate.

No formal policy or legislative agenda has been adopted by the administration, but George D. Gould, undersecretary of the Treasury, said in interviews that he favored creating five to 10 giant banks that would rival in size the largest banks in Japan, West Germany, Britain and France.

The formation of such large banks has been hampered by two of the principal U.S. banking laws: the Glass-Steagall Act of 1933, which separates underwriting and commercial banking, and the Bank Holding Company Act of 1956, which prohibits nonbanking companies from owning banks.

The only avenue left open to banks has been to merge among themselves. But state laws have historically prohibited interstate banking, and only recently have state legislatures begun to open their borders to out-of-state banks. These deals have usually involved a large out-of-state bank's buying a small local institution, raising questions about the size of the deal and the number of the few such deals attempted ever progressed far.

In the administration, the hope is that Congress can be persuaded to loosen the regulations. The banking industry, which has considerable political influence, is divided: The largest banks strongly support the changes while smaller banks

See BANKS, Page 15

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Egypt Detains Fundamentalists

CAIRO (Reuters) — Egyptian police have detained about 500 Muslim fundamentalists in an attempt to solve three assassination attempts in just over a month. Interior Minister Zaki Badr said Sunday.

He pledged to round up all suspects in the recent violence and urged anyone with information to come forward. The assassination attempts have been against an Egyptian magazine editor, a former interior minister and two American diplomats.



Don Cronin/Reuters-UP
Pitcher Tom Seaver is back with the New York Mets. Page 17

GENERAL NEWS

■ The extent of suffering by Tamil citizens remains unclear following Sri Lanka's offensive in the Jaffna peninsula. Page 2.

BUSINESS/FINANCE

■ The stock market's triple-dipping hour will disappear under a new settlement plan for stock index contracts. Page 11.

Special Today

Personal Investing takes a look at Tokyo's vibrant Stock Exchange, where investors are "trading in the dreams of a future Japan." Pages 7-10.



Chancellor Helmut Kohl of West Germany waving Sunday as he arrived at his Venice hotel.

In Venice, Pressure on Reagan

Europeans to Push for a More Consistent Foreign Policy

By Jim Hoagland
Washington Post Service

VENICE — European leaders, concerned by rapid shifts in U.S. foreign policy goals and methods in recent months, are likely to use the seven-nation summit meeting here to press President Ronald Reagan to show more caution and consistency in world affairs.

The meeting could end up being a "damage control" mission by European leaders who see Washington's recent handling of U.S.-Soviet relations and the Gulf as erratic and risky, aides to several of the key European participants suggested.

The growing likelihood of a new meeting between Mr. Reagan and the Soviet leader, Mikhail S. Gorbachev, will contribute to political issues dominating the private dinner for the leaders that formally begins the Venice gathering Monday night, according to these aides.

The dinner will provide the leaders with an opportunity to seek an informal joint assessment of Mr. Gorbachev and the changes he is bringing to Soviet foreign and domestic policies, one of the leaders who will be at the dinner has suggested.

Mr. Reagan will be pressing the leaders of Britain, Canada, France, Italy, Japan and West Germany at this summit meeting for an endorsement of his tentative agreement with Mr. Gorbachev to remove medium-range missiles from Europe. They will be asking him for clearer definitions of what the agreement will lead to, and what they could expect from a U.S.-Soviet summit meeting later this year.

Mr. Reagan's unexpected near-agreement with Mr. Gorbachev at the Reykjavik summit meeting last October, which would have eliminated all U.S. and Soviet nuclear ballistic missiles, unsettled European leaders accustomed to a steady stream of anti-Soviet rhetoric and a

strong buildup of America's nuclear arsenal under Mr. Reagan. Reykjavik ended without any agreements being struck, but Mr. Gorbachev surprised Washington.

He also expressed optimism that Soviet-American differences on a treaty to eliminate intermediate-range and shorter-range nuclear missiles in Europe would soon be overcome.

Mr. Vorontsov, who declined to be quoted directly but authorized use of his remarks, indicated strong Soviet interest in reaching agreements with Washington.

He said that the Soviet Union was engaged in discussions with Iran, Iraq, India and other countries on ways to assure freedom of shipping in the Gulf and the Indian Ocean. He added that the Kremlin had proposed such talks with the United States but had not yet received an answer.

Moscow has had hints that there have been talks between the warring nations of Iran and Iraq on this subject, he said, but apparently they have not reached anything definitive.

Mr. Vorontsov said the Soviet Union would like to pursue consultations with the United States on stopping the Gulf war, providing safety of shipping and assuring the presence of Soviet and U.S. warships in the waterway would not lead to incidents. Little has been done so far, he said.

He would be bad all around, he declared. If there were to be retaliation for attacks in the Gulf.

Other officials here have expressed concern at the possibility that Soviet and U.S. armed presence in the Gulf might turn the local war there into a critical Soviet-American issue.

Iran's foreign minister, Ali Akbar Velayati, was in Moscow a few months ago. Mr. Velayati has recently visited Bonn and Rome, where he is known to have expressed concern about growing superpower presence in the Gulf.

Mr. Vorontsov seemed to take this as a good sign, but he did not have any indication of results of Mr. Velayati's visits.

On the prospect of a treaty on intermediate-range missiles, Mr. Vorontsov said that a joint draft just completed still contained many disputed points but that he felt these could be resolved.

He expects a meeting between the Soviet foreign minister, Eduard A. Shevardnadze, and Secretary of State George P. Shultz in Washington late this summer and, if it is successful, a summit meeting in the fall.

Among the outstanding points are where the United States will deploy the 100 intermediate-range warheads to be allowed each side under a new treaty. It has been agreed in principle that Soviet missiles will not be deployed within range of the United States or its allies, including Japan.

But Washington has not yet renounced basing rights in Alaska, which would be within range of

See GULF, Page 4

See SUMMIT, Page 4

See BANKS, Page 15

See POPE, Page 4

See NORTH, Page 4

See VENICE, Page 4

See AIDS, Page 4

See Lendl, Page 4

Kremlin to Limit Gulf Fleet; U.S., Soviet Discuss Summit

Official Says Entire Force Is 3 Warships

By Flora Lewis
New York Times Service

MOSCOW — The Soviet Union has no intention of augmenting its force of three small warships in the Gulf despite its apprehension about U.S. plans to build up its fleet there, according to its first deputy foreign minister, Yuli M. Vorontsov.

In an interview, Mr. Vorontsov said the Soviet Union was aiming for a summit meeting in Washington in October.

He also expressed optimism that Soviet-American differences on a treaty to eliminate intermediate-range and shorter-range nuclear missiles in Europe would soon be overcome.

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See GULF, Page 4

See SUMMIT, Page 4

See BANKS, Page 15

See POPE, Page 4

See NORTH, Page 4

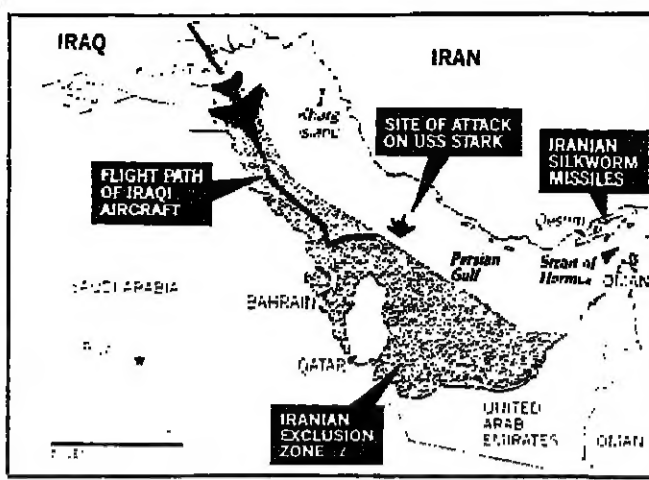
See VENICE, Page 4

See AIDS, Page 4

See Lendl, Page 4

See TOMORROW, Page 4

See THE COUNTS, Page 4



The Washington Post

ON PAGE 3

■ A U.S. poll of Europeans gives credit to the Soviet Union on arms control.

■ Venice canals pose unusual problems for security forces at the summit meeting.

■ AIDS and its costs will be a major topic.

See GULF, Page 4

See SUMMIT, Page 4

See BANKS, Page 15

See POPE, Page 4

See NORTH, Page 4

See VENICE, Page 4

See AIDS, Page 4

See Lendl, Page 4

See TOMORROW, Page 4

See THE COUNTS, Page 4

Pope's Polish Visit May Mark an Opening to Moscow

By Jackson Diehl
Washington Post Service

WARSAW — Pope John Paul II's third visit to his native Poland, which begins Monday, may mark the beginning of a new era in relations between the Roman Catholic Church and a Communist state based on increased church stability in Poland and the opening of new channels between Moscow and the Vatican, government and church officials say.

During seven days in the country, the pope is expected to act and speak for Poles' political and national aspirations as he did during his last visit here in 1983, when the nation was ruled by martial law.

But church officials say the 67-year-old pontiff will also be seeking to build on a broader Vatican policy of accommodation with the East bloc and the Soviet leader, Mikhail S. Gorbachev.

Relations between the Polish church and the government of General Wojciech Jaruzelski have been remarkably smooth as the pope's visit neared.

The two sides have agreed with relative ease on such elements of the papal schedule as a meeting with Lesz Walesa, chairman of the banned Solidarity trade union, and a trip to the grave of a slain pro-Solidarity priest, Jerzy Popieluszko.

At the same time, Vatican, Polish church and government officials have been working toward historic agreements that could establish the first full diplomatic relations between the Vatican and a Soviet-bloc government, grant the Polish church full legal status for the first time in 40 years of Communist rule and expand the church's social and economic activities.

None of the prospective accords are expected to be announced during the pope's visit.

Poland's political impasse, and the church's continuing role in defending the remnants of Solidarity, may prove the counterpart to the emerging dialogue, other observers say.

Although few expect the pope's appearance to be charged with the same political tension as those of four years ago, Solidarity's underground temporary coordinating commission has called on Poles to bring

union banners to Masses. The police have responded with public and private warnings that such "disturbances" will be suppressed.

Mr. Walesa and other Solidarity leaders say they hope the visit will renew the sense of national purpose created by the pope's first visit in 1979, a mood that later proved crucial for the formation of the independent trade union in 1980.

"It will give us the opportunity to do something together in mass," said Janusz Onysiewicz, a Solidarity spokesman. "To have this feeling of cohesion and mutual support."

"That is terribly important for Solidarity," he added.

Liberal church activists hope the pope will strongly take up the demand for free association and the expansion of pluralism in Poland advanced by Polish bishops in several strong declarations last year.

"The hope is that the pope will speak on this issue and advance it," said Krzysztof See POPE, Page 4

ant Colonel Oliver L. North, and the more questions about him arise.

Colonel North's presence at the hearings has become so pervasive that he now draws attention from President Ronald Reagan. Questions initially asked about Mr. Reagan now are aimed almost exclusively about Colonel North.

"We don't know what he knew when he knew it," said Representative Michael DeWine, Republican of Ohio, who began the hearings as a strong defender of Colonel North. "There's a lot of things we don't know, and so I think we have to reserve final judgment in regard to him."

The select committees investigating the affair will be learning more about Colonel North this week. His former secretary, Fawn Hall, is scheduled to testify about her involvement in helping him alter and destroy White House documents.

The portrait of Colonel North that has emerged from testimony is of a man both admired — even loved, as Albert A. Hakim, a busi-

nessman involved in the affair, said repeatedly last week — and feared.

Colonel North has been established as the person who knows the most about what really happened in the Iran-contra affair, and under what authority. His testimony could save or destroy many of those involved.

Witnesses such as Elliott Abrams, an assistant secretary of State, and

See NORTH, Page 4

See VENICE, Page 4

See AIDS, Page 4

See Lendl, Page 4

See TOMORROW, Page 4

See THE COUNTS, Page 4

In the Iran-Contra Maze, North Is Central Mystery

By Haynes Johnson
Washington Post Service

WASHINGTON — For five weeks, congressional investigators have been learning more and more about the extraordinary activities of the man who isn't there. The more they know of the Iran-contra affair, the more critical and complicated becomes the role of Lieutenant Colonel Oliver L. North.

"We don't know what he knew when he knew it," said Representative Michael DeWine, Republican of Ohio, who began the hearings as a strong defender of Colonel North. "There's a lot of things we don't know, and so I think we have to reserve final judgment in regard to him."

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See NORTH, Page 4



Colonel Oliver L. North

Richard V. Secord, in an interview, denies he profited from Iran arms sales. Page 3.

See NORTH, Page 4

See VENICE, Page 4

See AIDS, Page 4

See Lendl, Page 4

See TOMORROW, Page 4

See THE COUNTS, Page 4

White House Cites 'Range' Of '87 Dates

By Lou Cannon
and Hobart Rowen
Washington Post Service

VENICE — Howard H. Baker Jr., the White House chief of staff, said Sunday that U.S. and Soviet officials had discussed "a range of dates" for a prospective summit meeting in Washington between President Ronald Reagan and Mikhail S. Gorbachev later this year.

U.S. officials continued to warn Iran against interfering with navigation in the Gulf and particularly on using the Silkworm missile against U.S. ships or any oil tankers they escort.

Mr. Baker said "I think there's a good chance there will be a summit yet this year." If U.S. and Soviet negotiators reach an agreement on eliminating medium-range nuclear missiles from Europe.

Meanwhile, three high-ranking Reagan administration officials strongly implied that the United States may be ready to lift some of the tariffs imposed on \$300 million worth of Japanese electronics exports to the United States because Japan is showing signs of abiding by an agreement barring the "dumping," or selling at unfairly low costs, of semiconductors.

Although the issue is not expected to be fully resolved in Venice, President Reagan could reveal U.S. intentions to relax sanctions after a meeting Monday with Prime Minister Yasuhiro Nakasone of Japan.

Frank Carlucci, President Reagan's national security adviser, said it would be "inadvisable" for Iran to try to prevent U.S. ships from escorting tankers through the Strait of Hormuz.

"U.S. ships are prepared to defend themselves," Mr. Carlucci said. "They are prepared to defend the ships they are escorting, and it would not bode well if they were to interfere."

Mr. Carlucci refused to speculate on the military options. The Washington Post reported last week that one of the options being debated was a pre-emptive strike. Senior officials did not contradict the report but said that Mr. Reagan had not decided on any option yet and that a pre-emptive strike was unlikely.

On a CBS television program, Mr. Baker said that U.S. ships were operating in the Gulf to protect shipping "and the Iranians have nothing to fear from us."

"We have a great deal to fear from them, if they deploy those missiles," he said. "And it's my hope that the Iranians will decide that it's not worth it to deploy those missiles and run the risk of retaliation."

Mr. Baker said the U.S. decision to have a U.S. Navy convoy escort 11 Kuwaiti tankers was not "irreversible" but that "my own feeling is that it should not be terminated as long as the Kuwaitis want it and as long as the Soviets are still playing in this game."

In an interview with Cable News Network, Mr. Carlucci also discussed the issue.

See VENICE, Page 4

See AIDS, Page 4

See Lendl, Page 4

See TOMORROW, Page 4

See THE COUNTS, Page 4

See VENICE, Page 4

See AIDS, Page 4

See Lendl, Page 4

See TOMORROW, Page 4

See THE COUNTS, Page 4

See VENICE, Page 4

See AIDS, Page 4

See Lendl, Page 4

See TOMORROW, Page 4

Sri Lanka's Northern Offensive

Extent of Suffering Among Tamil Civilians Still Unclear

By Steve R. Weisman
New York Times Service

VALVEDITTURAI, Sri Lanka — In the dusty courtyard of a Hindu temple, 1,200 women, children and old men stood quietly in line for rations of rice and flour. Their homes had been bombed, and they told stories of hunger, terror and helplessness.

"My son is lost," a gray-haired woman said, sobbing. "My brother-in-law is lost. A thousand of our men are lost. Please help me to find them. Please, please, what can we do to find them?"

Since 1983, this fishing community on Sri Lanka's northern Jaffna peninsula has been a stronghold of Tamil separatist guerrillas. But last week, after the most intense fighting of the war, the town was recaptured by the Sri Lankan Army. The army, like the government, is dominated by ethnic Sinhalese.

The offensive has taken a toll in suffering among Tamil civilians. But a visit Friday to Valveditturai, the heart of the 20-square-mile (51-square-kilometer) area that was captured by the government, failed to reveal answers to questions about the extent of the suffering.

Such questions lie at the heart of a confrontation between India and Sri Lanka, and are central to the future of the Tamil-Sinhalese dispute.

[The government said that fighting continued Sunday, and that three rebels and a Sri Lankan soldier were killed when gunmen attacked the island's main air force base at Katunayake, 20 miles (about 32 kilometers) west of Colombo, Reuters reported.]

India sympathizes with Sri Lanka's Tamils because of their Hindu faith and because of ties to 50 million Tamils in southern India.

India continues to assert that the Sri Lankan offensive led to 500 to 600 civilian deaths from "carpet bombing" and other attacks.

The New Delhi government responded by sending aid. The first attempt, on Wednesday, came in an aborted mission by sea; then on Thursday, transport planes

dropped 25 tons of food and medicine to the supposed victims.

Sri Lanka, which has said that 50 civilians died, denounced India for committing a "naked violation" of Sri Lanka's sovereignty. It protested at the United Nations and summoned journalists to Sri Lanka to observe whose claims were correct.

Meanwhile, Sri Lanka stepped up its effort to deliver what it said are thousands of tons of food throughout the peninsula. "Everyone knows there is no food shortage in Jaffna," said Lalith Athulthumudi, the minister of national security. "We are the ones aiding people, not the Indians."

Civilians in Valveditturai said the Indian press's claims of thousands dead were exaggerated but that Sri Lanka's claim was too low.

'If the boys come back, we will have the same experience all over again. We want to be left alone to live in peace.'

— Syoga Chandra, a school principal

Several residents suggested that the number of people killed was between 200 and 500. Western experts dismissed the likelihood of "carpet bombing" in the area, saying the Sri Lankan Air Force is not equipped for it.

Buildings on Valveditturai's main street have crumbled walls and roofs — evidence of the government attack. But Sri Lankan officials sought to show that their bombs had been aimed not at terrorizing civilians but at routing guerrillas from a three-mile system of underground tunnels.

The only way to destroy the tunnels was to bomb the whole area, officials said. They noted that to reduce civilian casualties, the gov-

ernment had distributed leaflets urging people to seek refuge in nearby temples, churches and office buildings.

Most of the people interviewed at the temple and elsewhere said they had escaped bombardment because of the leaflets.

Residents said that even after having been routed, the Tamil guerrillas remain popular. But this did not mean they would be welcomed back, some said.

"If the boys come back, we will have the same experience all over again," said Syoga Chandra, a school principal. "We want to be left alone to live in peace."

A group of government officials led by Mr. Athulthumudi visited the area on Friday. They found that the biggest grievance was the arrest of about 4,000 young men last week as suspected "terrorists."

In a speech, Mr. Athulthumudi sought to soothe the fears of relatives. He promised that several women's organizations would try to arrange for mail service to the detainees while the army worked to determine which ones were "terrorists."

India Agrees to Consult
India, under international criticism for violating Sri Lanka's airspace during the recent airlift, has offered to discuss with Sri Lankan officials any future aid to ethnic Tamils in the country. The New York Times reported from Colombo.

Foreign Minister A.C.S. Hameed said Saturday that Sri Lanka welcomed the step.

China and Pakistan, he said, are among the nations that offered support to Colombo after the Indian airlift. He called India's actions a "naked violation of our independence and an unwarranted assault on our territory and sovereignty."

Mr. Hameed said the government of Prime Minister Rajiv Gandhi of India turned down a suggestion last week from Sri Lanka's president, Junius R. Jayawardene, to hold the same kind of talks that New Delhi proposed on Saturday.



Neil Kinnock bowling at a Stevenage, England, leisure center. His wife, Glenys, is at right.

Thatcher Gets Low Marks on Stump, But Polls Still Give Her Solid Lead

By Howell Raines
New York Times Service

LONDON — With three days of campaigning left, Prime Minister Margaret Thatcher is a solid favorite to lead the Conservatives to a parliamentary majority and become the first prime minister in this century to win three consecutive terms.

But as Thursday's voting nears, many independent analysts and strategists in both parties say that Mrs. Thatcher has been outperformed on the stump by her Labor Party opponent, Neil Kinnock.

There is also general agreement that Labor has produced slicker television advertising, better ad- vance work and stronger field organization than the Conservatives.

Strategists on both sides, however, said that Britain's improving economy and Labor's unpopular plan for nuclear disarmament seemed to have put a cap on Mr. Kinnock's support.

Opinion surveys also indicated that Mr. Thatcher's stronger leadership image was helping her sustain what has so far seemed a solid lead amounting to about 7 percentage points in the major public-opinion polls in the past week.

A series of new polls published on Sunday put her as many as 11 percentage points ahead.

On average, the polls in the past week put the Conservatives at 43 percent, Labor at 34 percent to 36 percent, and the centrist Alliance grouping of the Liberal and Social Democratic parties at 21 percent.

A popular vote on that order would produce a parliamentary majority of 40 to 50 seats for Mrs. Thatcher, compared with the 144-seat majority she won in 1983.

On Monday afternoon, Mrs. Thatcher was scheduled to start a 24-hour break from campaigning for the economic meeting of the seven leading industrialized democracies in Venice. Conservative strategists are counting on her appearance to portray her as a major world figure and provide a late lift to a lackluster campaign.

Labor has accused Mrs. Thatcher of going to Venice merely to provide television footage for her campaign broadcasts.

Mr. Kinnock's final campaigning will be geared to television. Labor scheduled a rally of show business figures on Sunday, to be followed Monday by a television film about Mr. Kinnock made by Hugh Hudson, the director of "Chariots of Fire."

Aides to Mrs. Thatcher did not dispute press reports that described her as being furious about the leaden quality of the campaign films produced by her advertising agency, Saatchi & Saatchi.

"Clearly Labor has won the campaign in terms of professional organization and presentation," said John Curdick, a political scientist at the University of Liverpool. "But their impact has not been dramatic. It's got them back up to where they ought to have been to start with, around 35 percent."

Mrs. Thatcher's chances have also been helped by the erratic per-

formance of the Alliance grouping, the Liberals led by David Steel and the Social Democrats. Their standing at the start of the campaign raised the prospect then that Mrs. Thatcher might be removed by a three-way split, denying any party a majority in the 650-seat House of Commons.

"We are 10 points ahead," she said, taking a figure from one of the most favorable recent polls. "We do hope, it's quite true, to widen the gap to more than that in the coming week. I don't expect a hung Parliament."

If Mrs. Thatcher is to be upset now, the shift will have to come in the 150 to 200 battleground districts, or marginal constituencies. Both Conservative and Labor strategists regard the contest as already decided in the other 450 to 500 constituencies, with Labor strong in the north and the Conservatives in the south.

Conservative strategists said that Labor had edged ahead in some marginal constituencies.

"We believe the swing to Labor is not enough to win more than 40 or 50 of them," said Robert D. Walker of Harris Research, a pollster for the Tories. "But that could reduce the Conservative majority from 140 to 40 or 50."

Increasingly, both parties are watching the Midlands, historic Labor territory that has been sliding toward the Conservatives. Late trends there could tell whether Mrs. Thatcher's lead, once as high as 14 percentage points, is continuing to diminish.

One such district, on the southern fringe of the Midlands, is Oxford East.

There, Labor is battling to recapture a seat narrowly won by the Conservatives in 1983. At a recent Labor meeting, Gary Vogt, a nurse making about \$15,000 a year, told how Mr. Thatcher's program of "popular capitalism" had shaken the political loyalty acquired from growing up in "a family of Labor people."

"I'm in a dilemma," he said, describing himself as torn between his "moral standing" as a nurse who agreed with Labor's social policies and his desire to protect his \$38,000 home and the Kolls-Royce shares he purchased when the Thatcher government privatized the company.

WORLD BRIEFS

Deposed Fijian Leader Seeks U.K. Aid

LONDON (AP) — Fiji's deposed prime minister, Timoci Bavadra, arrived here on Sunday seeking help from Queen Elizabeth II, the former colony's ceremonial head of state, to regain power. Buckingham Palace officials said the queen would not see him but he would be permitted to meet with her private secretary.

"She is my queen, she is the queen of Fiji, so she at least has to listen to me," Mr. Bavadra said at Heathrow Airport.

His elected administration was overthrown May 14 in a coup. Mr. Bavadra's government was dominated by ethnic Indians, who make up a little more than half of Fiji's population of 715,000.

Senate Winners Named in Philippines

MANILA (AP) — The Philippine Commission on Elections has declared 20 winners in Senate elections. Nineteen of them were candidates supported by the administration.

A movie actor, Joseph Estrada, was the only opposition candidate to gain a Senate seat. If projections hold, President Corason C. Aquino's coalition will hold at least 22 Senate seats and more than 130 of the 24 seats in the House of Representatives. Voting for the House was by district.

The races for the four remaining Senate seats remained too close to call, the commission reported Saturday. The elections took place May 11. The former defense secretary, Juan Ponce Enrile, head of the opposition Grand Alliance for Democracy, was in twenty-second place in the balloting and could capture one of the remaining slots.

Soviet Poet Stripped of Citizenship

MOSCOW (WP) — The Supreme Soviet has revoked the citizenships of a dissident poet, Irina Ratushinskaya, and her husband for "defaming the great name of the Soviet Union," according to a decree released here Saturday.

She was arrested in 1982 for distributing "anti-Soviet propaganda," imprisoned in 1983 after she was found guilty of slandering the state, and pardoned by the Supreme Soviet in October. She had been allowed to travel to the West with her husband, Igor Gerashenko, for medical treatment.

Meanwhile, Ruth Bonner, 86, the mother-in-law of the Soviet physicist, Andrei Sakharov, returned to live in the Soviet Union after seven years in the West.

Bokassa Reiterates His Innocence

BANGUI, Central African Republic (Reuters) — Jean-Bédel Bokassa, the former self-proclaimed emperor of Central African Republic, has pleaded not guilty to the crimes for which he is being tried and stated that his only wish is to live in peace as an ordinary citizen.

Mr. Bokassa, 66, is standing trial on several charges, including assassination, cannibalism and embezzlement. In a final statement to the court on Saturday, Mr. Bokassa said that as head of state at the time of the crimes, he took moral responsibility for them, "but I assure you that I am innocent of the crimes of which I am accused."

The state prosecutor has asked the court for the death sentence, saying there were no extenuating circumstances for crimes committed during his 13-year reign. Mr. Bokassa, who was toppled in a 1979 coup, returned home last October from exile in France. His trial began in November.

France Won't Try Soviet Woman

ROUEN, France (Reuters) — An examining magistrate has dropped spying charges against a Soviet woman implicated in an alleged attempt to steal French space secrets, judicial sources said Saturday.

The magistrate, Elisabeth Senot, ruled Friday that charges should not be pressed against Lyndmila Varygina, 31, one of seven people arrested in March for allegedly selling secrets about a booster motor for the European Ariane rocket. Charges against Varygina's husband, Pierre Verdie, are still pending.

Jackson Disavows Farrakhan Support

WASHINGTON (LAT) — The Reverend Jesse P. Jackson says he would not accept the political support of Louis Farrakhan, the Black Muslim leader whose vitriolic remarks about Judaism and Hitler drew criticism to Mr. Jackson's 1984 campaign for the Democratic presidential nomination.

"Some of his positions are anti-Semitic and anti-Jewish," a civil rights leader, said Friday in response to questions. "And it is fair to say that we must stand against anti-Semitism and racism and bigotry and sexism." "We do not accept Farrakhan's support," Mr. Jackson said. "We haven't sought his support. He is not a factor in our campaign." In 1984, Mr. Farrakhan publicly declared Adolf Hitler as "a great man" and called Judaism "a dirty religion."

For the Record

Representative Patricia Schroeder, Democrat of Colorado, said Friday she was considering becoming a candidate for the Democratic presidential nomination. Ms. Schroeder, 46, an eight-term congresswoman, had been a supporter of Gary Hart, who withdrew his candidacy after his relationship with a Miami woman was disclosed. (NYT)

TRAVEL UPDATE

French air controllers have announced that they will continue striking on Tuesday after negotiations between civil aviation authorities and unions broke down Friday night. The controllers have been striking from 6:30 to 9 A.M. for seven weeks, except on weekends and holidays, over benefits and work load. Monday is a holiday in France. (APF)

The possibility of compulsory AIDS testing for travelers from the United States, Haiti, Brazil and Africa is under consideration by the Colombian Health Ministry, sources said Saturday. Visitors would have to present a medical certificate declaring themselves free of the AIDS virus or be tested at the airport. (APF)

The wife of a Continental Air Microasia employee and a customs worker were arrested in Guam on Saturday, bringing to 34 the number of arrests in connection with a series of thefts from luggage at Guam International Airport. Twenty-four of those arrested are Continental employees. (AP)

This Week's Holidays

Banking hours and government services will be closed or curtailed in the following places this week because of national and religious holidays:

MONDAY: Andorra, Austria, the Bahamas, Barbados, Belgium, British Virgin Islands, Central African Republic, Denmark, East Germany, France, Gabon, Greece, Grenada, Iceland, Ivory Coast, Liechtenstein, Luxembourg, Madagascar, Monaco, Netherlands, Norway, Rwanda, Senegal, Spain, Sweden, Switzerland, Tahiti, Trinidad, West Germany.

WEDNESDAY: Argentina, Jordan, Macao, Malaysia, Portugal.

THURSDAY: Libya, Sri Lanka.

FRIDAY: Paraguay, Philippines.

SATURDAY: Hong Kong, Portugal.

Source: Morgan Guaranty Trust Co.; Reuters.

DOONESBURY



Soviet Interests Asians in Satellite Launch

By Michael Richardson
International Herald Tribune

SINGAPORE — Australia and Indonesia, two of the main satellite users in the Asia-Pacific region, have expressed interest in proposals by Moscow to provide commercial launch services in competition with the United States, Western Europe and China.

Western diplomats see the offers of space cooperation as part of a wider effort by the Soviet Union to improve relations with the Asia-Pacific region and erase its image as an assertive military power.

One diplomat commented Thursday: "The Russians know they cannot match Japan, America and Europe in trade and investment. So they are concentrating on a high-tech sector where they feel they can really compete — space services."

A spokesman for Australia's national satellite system, Aussat Pty. Ltd., contacted by telephone in Sydney, said that a Soviet delegation had told the company last month that it could provide launch services on attractive terms for two large communication satellites Australia wants to place into orbit.

China, Mongolia Sign Treaty

Agence France-Press

HONG KONG — China and Mongolia have signed a treaty that defines ways of handling border disputes, the official Xinhua press agency has reported. In a dispatch monitored here, Xinhua said the treaty had been signed Saturday at the end of a round of bilateral talks in Ulan Bator, the Mongolian capital.

in the early 1990s. The satellites will serve the southwest Pacific and New Zealand as well as Australia.

The spokesman, Leighton Farrell, Aussat's public affairs manager, said the company, which is 75 percent owned by the Australian government, had been impressed with the serious commercial approach adopted by the Soviet officials.

But he said that at least four other groups were also interested and it would be up to the successful bidder for the new satellite order to make launch arrangements.

The four are ArianeSpace, the commercial arm of the European Space Agency, China's Great Wall Industry Corp. and two U.S. companies that are planning to establish satellite launching facilities. McDonnell Douglas Corp. and Martin Marietta Corp.

Achmad Tahir, Indonesia's minister of tourism, post and telecommunications, said Wednesday that the Soviet Union had offered to launch a satellite that Jakarta had asked the United States to put into space in 1990 at the latest.

Soviet officials said offers of peaceful cooperation in space had also been made to other non-Communist countries in ASEAN, the Association of Southeast Asian Nations. In addition to Indonesia, they are Brunei, Malaysia, the Philippines, Singapore and Thailand.

Analysts noted that while international demand for satellite launches was increasing, the U.S. National Aeronautics and Space Administration had sharply reduced its commercial launch work and ArianeSpace was heavily booked over the next few years. The European program has been grounded since May 1986, when

the third stage of an Ariane rocket failed to fire. Officials had to destroy the rocket and the \$90 million satellite it was carrying.

Following the explosion of NASA's manned space shuttle, the Challenger, with the loss of seven astronauts in January 1986, President Ronald Reagan said in August that with few exceptions commercial satellites would no longer be launched by the shuttle.

Mr. Tahir said that Vladimir Semenov, the Soviet ambassador to Indonesia, had relayed Moscow's offer to launch the satellite, which would be Indonesia's third, at a cost of \$40 million.

He said that Indonesia wanted favorable financial terms "in the form of a noncommercial loan" and that Mr. Semenov had promised to discuss this with his government.

Nikolai I. Ryzhkov, the Soviet prime minister, said Jan. 5 that his government was prepared to grant "substantial discounts" to developing countries using satellite launching services in the Soviet Union. It would also insure the payloads, he said.

Analysis said the main barrier to Soviet efforts to gain a substantial slice of the growing commercial launch market was restrictions imposed by the United States on technology transfers. U.S. regulations

prohibit satellites employing American technology from being shipped to the Soviet Union.

Most satellites made in non-Communist countries contain U.S. parts or technology. The four Australian and Indonesian satellites currently in orbit were made by U.S. companies.

Diplomats said that while Indonesia appeared to be genuinely interested in the Soviet offer, Jakarta was probably publicizing its interest to put pressure on the U.S. government for favorable consideration of its request for access to the shuttle service.

Mr. Tahir said the Soviet offer to Indonesia was coupled with a request to reopen an office of the Soviet state airline, Aeroflot, closed in 1982 after its chief representative was expelled on spying charges.

Mr. Farrell, Aussat's public affairs manager, said Australia's third communication satellite was to be launched aboard the next Ariane flight, tentatively scheduled for August. He said Aussat would seek offers later this year for a second generation of communication satellite, to be launched beginning in 1991.

China last year agreed to launch two U.S. satellites. It has also won a launch order for a Swedish satellite and has offered its services to Indonesia and other ASEAN countries.

Chirac Acts to Defuse Cabinet Crisis

His Authority Appears Weakened in Dispute With Léotard

By Julian Nundy
International Herald Tribune

PARIS — Prime Minister Jacques Chirac moved Sunday to defuse a cabinet crisis caused by the near-defection of the culture minister, but his authority appeared to have been severely weakened by strains within his center-right coalition.

Mr. Chirac, reacting to an announcement by Culture Minister François Léotard that he would stay in the government, welcomed the decision, although Mr. Léotard had indicated that he was defying an earlier demand by the prime minister for total loyalty.

The affair blew up last week when Mr. Léotard, 45, said in a magazine interview that, as a leader of the Union for French Democracy, he would not campaign for Mr. Chirac, a Gaullist, in the first round of presidential elections in 11 months.

Mr. Léotard, the unofficial leader of a group of young ministers in the government known as "Leo's gang," also said that he may run in the 1988 presidential race, although polls indicate that he has little grass-roots support.

On the face of it, there was little unusual in Mr. Léotard's words as his political grouping, an alliance of several parties, is likely to field at least one presidential candidate of its own despite its place in the government alongside Mr. Chirac's Rally for the Republic.

But his tone, including a reference to the Gaullists as "soldier monks," or crusaders, irritated many supporters of Mr. Chirac. The prime minister summoned Mr. Léotard on Tuesday and issued a public communiqué saying that he had told Mr. Léotard to choose

between political activism and his post in the government.

Mr. Léotard, who was a novice monk for 18 months before entering politics, then left Paris, apparently bitterly angry, for his home town of Fréjus on the Riviera. Most commentators predicted that he would announce his resignation from the cabinet at a rally of his Republican Party on Saturday.

But the minister said in Fréjus: "I am secretary-general of a major political party in the majority and I shall remain so. I am a minister in the government and I shall remain so."

His words were a clear rejection of Mr. Chirac's statement and put the onus back on the prime minister.

However, on Sunday, Mr. Chirac, addressing Mr. Léotard as "my dear minister," noted that Mr. Léotard had said he "wished to keep your ministerial post and would henceforth use your freedom of speech to ensure the success of the government and the victory of the majority and to help the French people. I agree willingly to your wishes."

Even some of Mr. Chirac's supporters said that he had made a miscalculation by issuing his ultimatum publicly.

"Chirac has made a mistake," said former Prime Minister Michel Debré.

Iran Expels Five British Diplomats

By Karen DeVoy
Washington Post Service

LONDON — Iran ordered the expulsion of five British diplomats Saturday, including Edward Chaplin, the No. 2 man in Britain's Tehran mission who was detained and beaten by Revolutionary Guards on May 28.

The Iranian press agency said the move was in retaliation for Britain's "unjustified" expulsion Thursday of five diplomats assigned to the Iranian consulate in Manchester. The consulate was ordered closed.

Although British officials had said that any retaliation by Iran would be unacceptable, they appeared somewhat relieved that Mr. Chaplin, described as a "criminal" by the speaker of the Iranian Parliament, Ali Akbar Hashemi Rafsanjani, would be returning home.

There were fears that as long as Mr. Chaplin remained in Iran, the situation could escalate dangerously, possibly leading to a storming of the British diplomatic mission or the residential compound.

The charges against Mr. Chaplin, although never lodged formally, were said by the Iranians to include drugs, corruption and undermining the economy during wartime, which can carry the death penalty.

Officials in Britain refused to speculate on whether action would be taken against the 19 diplomats in Iran's London Embassy.

Since Britain closed its embassy in Iran in 1980 for security reasons, it has maintained an interests section, with 19 accredited diplomats, under the Swedish flag in Tehran.

Soviet Conducts Nuclear Test

Reuters

MOSCOW — The Soviet Union conducted an underground nuclear explosion Saturday at the Semipalatinsk test site in the Central Asian republic of Kazakhstan, the official news agency, Tass, reported.

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Costs, Threat of AIDS Will Be a Major Topic At the Venice Summit

By Barry James

When the heads of state and government of the seven industrial powers sit down Monday in Venice for the 13th summit meeting, AIDS will be a major item on the agenda as potentially one of the biggest social, political and economic — as well as health — problems of the end of the century.

Apart from discussions about terrorism, past summit meetings have rarely strayed so far from a strictly economic and political agenda.

Two years ago, it would have been difficult to imagine the summit discussing AIDS, said Jonathan Mann, the director of the Geneva-based World Health Organization's Special Program on AIDS.

Acquired immune deficiency syndrome, which breaks down the body's immune system and leaves the victim helpless against infections, began appearing in the United States in the early 1980s after a probable incubation period of at least five years. It first afflicted mainly homosexuals, intravenous drug users and people who received transfusions of blood tainted with the virus.

Now the fear is that it will spread as rapidly among heterosexuals as it has among homosexuals. If that happens, says the U.S. surgeon general, Dr. C. Everett Koop, "then we are in for unbelievable trouble."

According to officials involved in the preparation of the three-day Venice summit meeting, the leaders of the United States, Canada, Japan, Britain, France, Italy and West Germany are likely to declare AIDS a major world health problem, throw their support behind the World Health Organization, and back a meeting of health ministers to improve public education about the problem.

"We'd like to see out of that summit a reaffirmation of the global nature of the problem," said Dr. Mann. "And we'd like to see funds. We'd like to see resources."

As of June 1, WHO had regis-

tered a worldwide total of 51,535 officially reported cases of AIDS, including 36,000 in the United States.

WHO says the actual number of cases worldwide is probably more than 100,000 now, and that even in the unlikely event that a vaccine were developed immediately, up to 3 million new cases are likely to emerge in the next few years.

The organization estimates that up to 10 million people were infected with the virus that causes AIDS by the end of last year. Several million of them are in Africa, where the disease, more frequently than elsewhere, is passed through sexual relations between men and women.

Estimates differ as to what percentage of infected persons eventually develops the disease, but all can potentially pass the infection to other people.

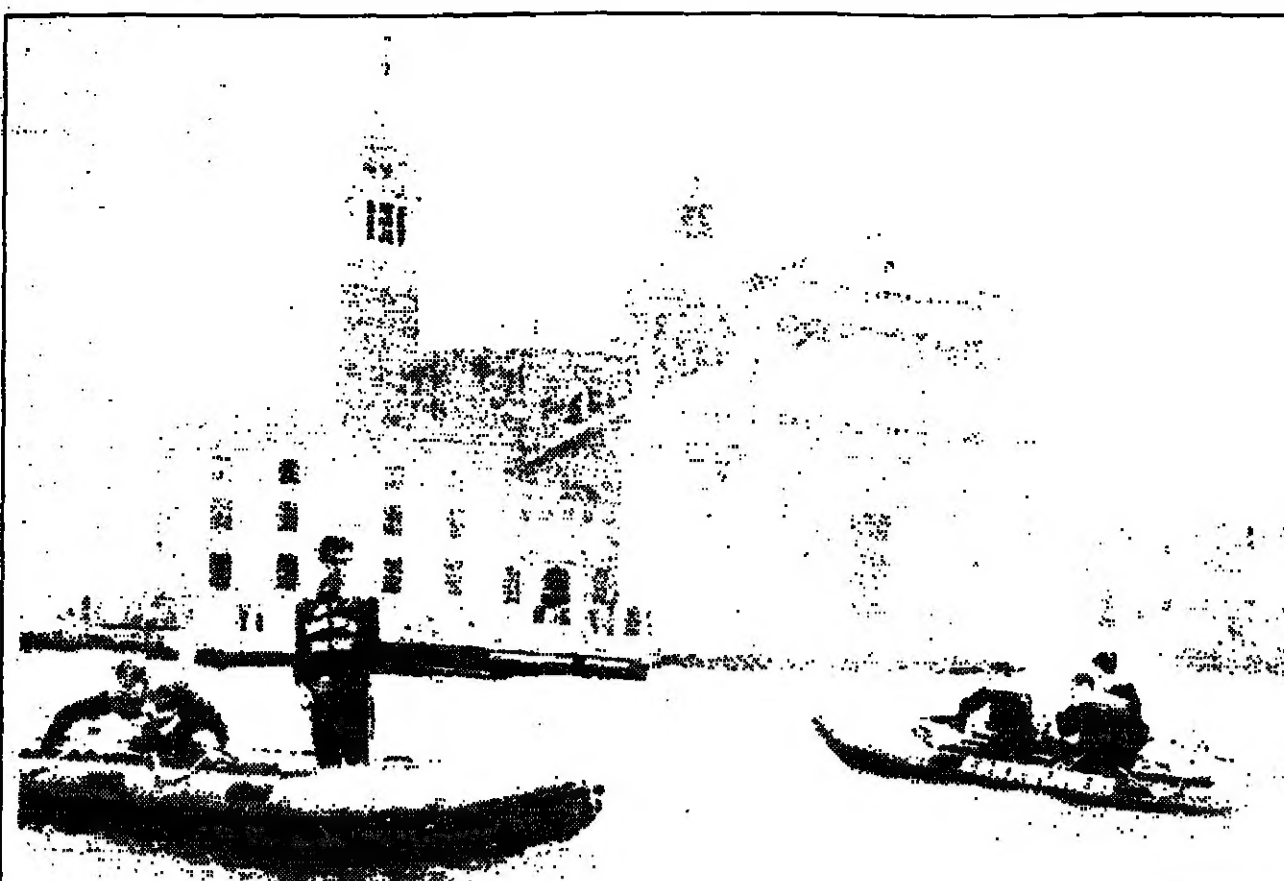
By 1991, the number of cases in the United States alone is expected to hit 270,000; in Europe, 100,000. In Africa, because of incomplete reporting, no one knows.

Figures such as these put the problem firmly within the purview of an economic summit meeting, because the disease is likely to have a major impact on the world economy and demographic patterns.

The disease strikes hardest at the most productive sectors of society. In the United States, 90 percent of the victims are between the ages of 20 and 49. In Africa, WHO officials say, a fifth of professional people could succumb to AIDS.

"This raises questions such as, will AIDS strip certain professions of young people in the United States and other countries? Will banks be willing to invest in African enterprises knowing that they contain a high proportion of infected people? How will it be possible to pay the cost of treating the disease on a massive scale?"

It costs up to \$150,000 to treat each patient in the United States. In Africa, where the average per capita annual health budget is only about \$1.75, adequate treatment of AIDS already is impossible.



Divers, members of Italy's paramilitary police, patrolling around Isola di San Giorgio Maggiore in Venice on Sunday.

Canals Complicate Security Problems at Venice

By John Tagliabue

New York Times Service

VENICE — In recent days, aboard a lumbering armored launch that flew the Stars and Stripes, a Venetian pilot instructed an American Navy helicopter in the art of maneuvering in the choppy Venetian waters.

The point of the lesson was to avoid the kind of incident that occurred at the economic summit meeting in Venice in 1980, when a jolt to the yacht on which President Jimmy Carter was riding nearly tossed him into the murky waters.

The city of canals is a unique conference site. Also unique are the security problems faced by the organizers of the talks beginning here Monday.

An Italian security force of about 8,000 people will include a detachment of frogmen, reinforced by hundreds of security men from Western Europe, the United States and Japan.

The leaders of the United States, Japan, West Germany, France, Britain, Italy and Canada will hold their three-day conference

on the Isola di San Giorgio Maggiore, a small private island across the lagoon from St. Mark's Square.

Helicopters can land on the island, but the leaders will be brought to the site in motor launches.

To insure safety, gondolas and other unauthorized craft will be banned from waters between St. Mark's and the island and its approaches. But this is vital turf for the gondoliers, the gondola operators, who have threatened to bill the city for \$150,000, money they say they are losing through forced inactivity.

The gondoliers have been losing ground to the motorboat taxis that are increasingly attracting all but the most sentimental tourists. But taxi operators are not happy either.

The entire fleet of about 220 vessels has been pressed into service by summit organizers at a rate the operators say is far below the market price.

The participating nations did not hesitate to send their leaders to Italy. Though the country has been rocked by political violence

and Arab terrorist actions in recent years, there have been few violent crimes recently.

In March, however, terrorists gunned down an Italian Air Force general on a Rome street. Last week, as if to display their control of events, the police announced the roundup of several terrorist leaders.

On Friday evening, the Venice airport was closed for one week to unauthorized traffic. And the lagoon, two days before the conference, vaguely evoked New York's Brooklyn Navy Yard. Italian and American Navy launches plied the waters, and two Italian warships lay at anchor near an American vessel.

Police helicopters circled the city, and armed vessels of the Guardia di Finanza, or Treasury Guard, a paramilitary force specializing in smugglers, circled Isola di San Giorgio Maggiore.

The greatest concern appeared to focus on the safety of President Ronald Reagan. Saturday, as the president traveled to Rome, Italian officials mobilized 5,000 men to protect him.

Secord Denies Profiting From Iran Arms Sales

In Interview, He Calls for a Chance To Testify Again to Refute Allegations

By Stephen Engelberg

New York Times Service

WASHINGTON — Richard V. Secord, responding to a barrage of congressional criticism, has insisted that he made no money from the Iran arms sales.

He said he was eager to reappear before the congressional committees investigating the Iran-contra affair to tell his side of the story.

"I'm not a profiteer, and to keep on claiming that is simply false," he said in an interview Saturday. "We were trying to do a job for the president, and we did the best we could."

Members of the congressional committees say they have been working hard to establish that General Secord, a retired air force major general, made money on the arms sales because it illustrates a central theme of the hearings: that using private citizens in covert operations leads to waste, profiteering and other abuses.

Some members of the committee said last week that Major Secord should be recalled for further sworn testimony in light of evidence that he used money from the sales of arms to Iran and Nicaragua rebels, also known as contras, for personal purposes, including the purchase of a Porsche and an airplane.

In the interview, General Secord said he had bought the car and the airplane but that the money had come from a loan from his business partner, Albert Hakim, and from a separate consulting fee.

He said he did not know that Mr. Hakim had tapped accounts used for the Iran-contra arms dealings.

General Secord also made these points:

• He denied charges that he and his business associates had made profits of 60 percent or more on arms sales to the contras, as stated in a handwritten document describing one of several transactions. He said that he and his attorney were preparing an



Richard V. Secord

accounting of all \$11 million in sales, which would show the overall markup at 20 to 30 percent, as he has testified.

• He offered support for the committee's suspicions that Lieutenant Colonel Oliver L. North's wife, Betsy, had gone to Philadelphia to meet with a lawyer who was trying to find a legitimate way to transfer money to the North family. Nothing came of the trip, and he said that Colonel North later called it "a waste of time and a train ticket."

• He said he signed a waiver last week that will allow congressional investigators to inspect any bank accounts he has in Switzerland. The committee had been demanding the waiver and General Secord had delayed it for several weeks, although he said he has no Swiss bank accounts.

■ **3 More Israelis Are Called**

The special prosecutor in the Iran-contra affair has issued subpoenas for three more Israeli citizens, prompting a new round of protests from the Israeli government, U.S. and Israeli officials told The New York Times.

Israeli officials said they were angered by the subpoenas and indicated that they might end cooperation with the special prosecutor, Lawrence E. Walsh.

Among those newly subpoenaed, they said, was Al Schwimmer, an Israeli businessman who was instrumental in the clandestine transfer of American arms to Iran.

The other Israelis were reported to be Jacob Nimrod, an Israeli arms dealer, and Amiram Nir, who served as a counterterrorism specialist in the Israeli government. Both were involved in the Iran arms sale.

Mr. Walsh created a diplomatic furor last month when he subpoenaed David Kimche, the former director general of the Israeli Foreign Ministry, who helped broker the sale of U.S. weapons to Iran through Israel.

Mr. Kimche was allowed to return to Israel without testifying before the grand jury in the case but promised to return if so ordered by a federal court.

University Club in N.Y. Votes To Admit Women

New York Times Service

NEW YORK — The 122-year-old University Club, the largest all-male club in New York City and one of the most prestigious, has voted to open its membership to women.

The New York City Human Rights Commission brought discrimination charges against the University Club and two others 18 months ago, and, according to a spokesman Saturday, were preparing to hold a public hearing on those charges by the end of the summer. The University Club has 4,000 members.

U.S., in Random Survey, to Test 45,000 for AIDS

By Lawrence K. Altman

New York Times Service

WASHINGTON — The government has announced that it will take random blood samples from about 45,000 people around the United States as part of a national survey to determine the number of Americans infected with the AIDS virus. Participation is to be voluntary and anonymous.

Dr. Otis R. Bowen, the secretary of Health and Human Services, told participants Friday at an international conference here on AIDS that the government also planned to begin a campaign to educate the public about ways to prevent the spread of acquired immune deficiency syndrome.

The campaign will be aimed particularly at people of school and college age.

In addition, Dr. Bowen said, a federal study will look into the care of AIDS patients, and special projects will be undertaken to reach and counsel intravenous drug users, who are considered the likeliest conduit of the virus to the heterosexual population.

Dr. Bowen said that the chief aim of the blood survey would be "to find out the total extent of the AIDS problem" and "the distribution of the virus." Government officials have estimated that 1.5 million Americans are infected with the AIDS virus, although many have not yet developed symptoms.

Dr. James O. Mason, the head of the national Centers for Disease Control, said health officials needed the survey to enable them to calculate more accurately how many Americans were infected. If the surveys are repeated, they can help assess the effectiveness of education and information programs to determine how many Americans are contracting the deadly viral infection.

Dr. Bowen said the 45,000 people would be selected from throughout the population.

Dr. Mason said that officials of the Centers for Disease Control were working with biostatisticians and experts in conducting random samplings to determine "how we can truly get a representative sample of the nation's population."

He said at least six months' preparation would be required before the study could begin.

He said the task would be difficult because health officials would have to assure themselves that enough members of the groups considered at high risk of contracting AIDS were included in the sample. Homosexual men and intravenous drug users are believed to account for about 90 percent of all reported AIDS cases in the United States.

Dr. Mason did not elaborate on his comments that the survey would be conducted on an anonymous basis with voluntary participation.

Nicaragua To Cut Back On Fuel Use

By James LeMoine

New York Times Service

MANAGUA — Nicaragua's president, Daniel Ortega Saavedra, has announced a curfew in fuel use and warned Nicaraguans of the need for more severe economic restrictions because of the growing cost of the civil war.

A central, though contested, tenet of the Reagan administration's policy in backing the contra rebels is that the Nicaraguan government will not be able to survive the economic cost of the war and that the Nicaraguans will consequently demand political changes.

Mr. Ortega made his call for further economic restrictions at a national meeting of labor union leaders Saturday after several unconfirmed reports that the Soviet Union might reduce the amount of oil it supplies.

Nicaragua is almost totally dependent on Soviet oil and lacks hard currency reserves to buy oil on the world market, so any curfew would have severe results.

Mr. Ortega did not refer to any potential Soviet reduction in oil, but he did refer to fuel shortages. He said there would be a 5 percent curfew in the use of oil and an unspecified increase in the price of gasoline.

Tomás Borge Martínez, the minister of the interior, is visiting Eastern Europe, and some Western diplomats here have speculated that he may be seeking an increase in economic and other types of assistance.

Nicaragua's economy has been ravaged by government mismanagement, falling prices for agricultural exports and the U.S.-backed guerrillas, who have increasingly concentrated on economic sabotage.

There are shortages of most products, inflation is out of control, and as much as half of state spending is estimated to go to the war effort and the army and militia, which number more than 100,000.

Nicaragua's currency, the córdoba, has declined in value from 4,000 córdobas to the dollar on the black market six months ago to almost 7,000 today.

The Soviet Union and its allies now provide most of Nicaragua's economic and military aid, which U.S. officials put at a billion dollars last year. Moscow provided an estimated \$86 million in oil to Nicaragua in 1986 alone.

Mr. Ortega said measures would be introduced to assure fuel reserves for state agencies and the military.

The growing war has placed heavy demands on fuel supplies as the Nicaraguan Army flies more helicopter sorties and uses more trucks to take troops into the field.

But even as he acknowledged the increasing cost of the war and the need for further economic restrictions, Mr. Ortega repeatedly and angrily vowed that the rebels would never win and that his government would never negotiate internal political questions with the rebels or with the U.S. government.

But he added that Nicaragua had always been willing and remained willing to negotiate security issues with the United States.

U.S. Poll of Europeans Credits Soviet on Arms

By Michael R. Gordon

New York Times Service

WASHINGTON — West Europeans gave the Russians most of the credit for recent progress in arms control, despite American efforts to portray movement toward a new accord on medium-range missiles as a vindication of the Reagan administration's tough negotiating approach, according to a government survey.

The survey, prepared by the U.S. Information Agency, examined attitudes in mid-May in Britain, France and West Germany. The results have been presented to President Ronald Reagan, but they have not been made public.

The survey suggests that one of Mr. Reagan's most important bids for public support in Western Europe, the so-called zero option, has not been a public relations success.

One bit of good news for the United States is that the West European public does not generally believe that an agreement that eliminates medium-range missiles would reduce the American commitment to defend Europe.

The survey also made the following points:

• It said that by an "overwhelming margin," the Soviet leader, Mikhail S. Gorbachev, received most of the credit for arms-control progress.

In Britain, 63 percent thought that Mr. Gorbachev deserved the credit, while 13 percent gave credit to Mr. Reagan. In France, 45 percent said Mr. Gorbachev deserved

more credit, while 16 percent said that Mr. Reagan should get the credit. In West Germany, 72 percent credited Mr. Gorbachev, and 9 percent gave the credit to Mr. Reagan.

• West Europeans are more likely to think, incorrectly, that the Russians devised the "zero option" to eliminate medium-range missiles.

In Britain, 30 percent of those polled thought that the Soviet Union had first proposed the offer, and 20 percent said the offer was first made by the United States. In France, 42 percent believed that the Soviet Union was first and 34 percent believed it was the United States who made the first offer. In West Germany, 49 percent credited the Soviet Union, while 21 percent said that the offer was first made by the United States.

• The European public does not display much confidence that either side would abide by a new treaty.

In Britain, 49 percent indicated that they were not confident the United States would observe such a treaty, while 46 percent had doubts about the Soviet Union.

In France, 38 percent doubted that the United States would observe the treaty, and 54 percent were unsure of the Soviet Union. In West Germany, 53 percent were not confident the United States would observe the terms, while 49 percent had doubts about Soviet compliance.

AMERICAN TOPICS

Truth in Scheduling Urged for Airlines

A call for "truth in scheduling" by airlines to help ease the current epidemic of delayed flights and to reduce congestion and the danger of collisions comes from Elizabeth S. Bailey and David M. Kravitz, both former officials of the defunct Civil Aeronautics Board, in a New York Times article.

Senator Nancy Landon Kassebaum, Republican of Kansas, has introduced legislation that would require airlines to provide accurate flight schedules. Airlines would be required to publish real flight times, based on actual performance. The article says that "carriers would face fines if they continued the deceptive practice of listing optimistic rather than actual arrival times" in timetables and computer reservation systems. This would encourage people to shift their flights away from peak periods, which airlines "now address by charging higher prices for peak flights."

The article says this would be more effective than such other legislative proposals as requiring airlines to publish the percentage of their on-time flights. "This information is too general to help consumers. They want specific information" about specific flights.

"It would not cost the airlines any more money to provide correct information. They already generate accurate delay tables for internal use." The same information, privately compiled, can be obtained for \$3,000 a year, and "Congress should make this information freely available to all consumers."

Short Takes

Manhattan's Yiddish-language Forward is 90 years old this year. Circulation, which reached 238,000 in 1917, is down to about 20,000. It changed from a daily to a weekly five years ago; the editorial staff, once 70, is now three, and the paper has a loss of \$400,000 a year, which is met by



GLACIER WATER, PLEASE, AND HOLD THE ICE — Mark Wilson of Anchorage, Alaska, pouring a sample of the melted glacier ice that he is marketing. He says it is selling well in Japan, where he expects 300 tons to have been sold by the end of June.

the profits of its sister radio station, WEVD-FM. In short, the Forward is the victim of its own success in getting immigrants out of the ghettos and into the middle class. The readership is aging, and the paper has never made a demographic study. As Simon Weber, 76, the editor, says, "If we found out, can we do something about it?" And will the paper make it to 100? Mr. Weber quotes a former Israeli prime minister, David Ben-Gurion: "Anybody who doesn't believe in miracles isn't a realist."

Air force flight crews are to have leather flight jackets again as part of the drive to keep experienced fliers in the service. The dashing fleece-lined jackets, which cost more than \$100 apiece, were dropped in favor of nylon after the air force became independent of the army in 1947. The navy kept them. "The flight-jacket initiative was suggested by field commanders as a means of enhancing esprit," said Lieutenant General Thomas Hickey, deputy chief of personnel.

Notes About People

John T. Agresto, deputy chairman of the National Endowment for the Humanities, is withdrawing his candidacy to become archivist of the United States. President Ronald Reagan nominated him more than a year ago. Some archivists and historians said Mr. Agresto would have politicized the post, an assertion he rebutted. The archivist has the authority to determine which presidential papers and other major government documents are made public. "It had dragged on for a year and a half," he told The New York Times, and had become "a partisan political battle."

Senator Joseph R. Biden Jr., who is expected to declare formally his candidacy for the Democratic nomination this week, was asked about his reputation as a hothead. "I think there are certain things that warrant being angry," said the Democratic senator from Delaware, who distinguished between being angry and losing one's temper.

As to the reputation for having a quick temper, "I don't know that I will ever overcome that, any more than other candidates will overcome their reputation for dullness."

Parental Paranoia And Private Schools

A New York Times reader, Neva Sharon, recounts how she was trying to enroll her child at a well-known private school. The admissions director asked her over the telephone for particulars. "I gave her our surname," she recounts, and, after giving her husband's first name as Andre, was asked "Does he have an accent?"

Raised in a French-speaking community in Egypt, he does indeed. Mrs. Sharon recounted, but, bristling at the question, she replied, "Pardon me?"

"Your husband," came the reply. "Does he have an accent on the 'e'?"

—ARTHUR HIGBEE

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The Summit Charade

The leaders of the industrial world trooped to Venice for the weekend for the announced purpose of holding an economic conference. They face a crowded agenda but need to make room for one more topic: Restore the idea of serious annual exchanges on economic policy, or end the charade. What began as a chance for Western leaders to have free-wheeling talks beyond the reach of their bureaucracies has become a choreographed bull session and photo opportunity. This will be the 13th meeting, and it looks to be the most disappointing. World economic conditions are precarious and the road to resolution unclear, with growth slowing to a crawl, protectionism threatening trade, financial markets jittery and Latin America still floundering in debt. The need for coordinated action is critical; failure would thus be the more irresponsible.

Barring a well-concealed surprise, the conference in Venice will produce little more than solemn reaffirmation of old, empty pledges from all seven participants: the United States, Japan, West Germany, France, Britain, Italy and Canada. Most are immobilized by domestic politics. But the real problem is that the three principal powers — the United States, Japan and West Germany — stubbornly refuse to make adjustments to improve the global economy.

Washington should be making credible reductions in the budget deficit, and should not be raising new barriers to trade. Tokyo should be tearing down its trade barriers, not merely promising to do so; and only now

does Japan appear to be serious about stimulating its economy. The West German economy also needs pumping up; yet despite mounting evidence of slack, Bonn insists that no more juice is necessary, and has done next to nothing. And all three should be coordinating efforts to pull the world back from the brink of recession, ease the Latin debt burden and stabilize currency exchange rates.

The responsible economic and financial officials of all three countries meet frequently and have made these points, endlessly. Their bosses will be no more flexible, or persuasive. In two days together they will not even spend much time on these issues. In recent years, largely at the insistence of the Reagan administration, more and more non-economic subjects have been jammed into the allotted 48 hours. This year the agenda will include arms control, terrorism, international drug trafficking, the spread of AIDS and, as a last-minute addition, the Gulf.

When Valéry Giscard d'Estaing was president of France in 1975, he had a good idea. He invited President Gerald Ford and the leaders of Japan, West Germany, Britain and Italy to a palace in Rambouillet for a week-end of unstructured talk about economic issues. He saw the world becoming more interdependent, and a need for its leaders to meet face to face and speak frankly.

Structure, panoply, noneconomic issues and posing for group photographs have overwhelmed that worthy concept. Watch it this week, slipping into the sea like Venice itself. — **THE NEW YORK TIMES**

Rules of Engagement

Inside its councils and outside, the Reagan administration is experiencing some turbulence in shaping policy for the Iran-Iraq war. Good. The administration had not adequately prepared the rationale or the operating guidelines for its new plan to "reflag" and escort Kuwaiti tankers in the Gulf. The attack on the USS Stark, mean and costly in American lives, changed all that. It precipitated the full-scale review that should have begun before the president, under pressure to compensate for secret dealings with Iran, moved last January to reassure moderate Arabs by beefing up the American fleet.

Senator Claiborne Pell, chairman of the Foreign Relations Committee, has introduced a bill that crystallizes doubts about reflagging and which will give force to a debate of the sort the administration eluded when it decided not to invoke the War Powers Act. Mr. Pell believes it unwise to adopt the shipping of "quasi-belligerent" Kuwaiti, Iraq's ally, financier and port access point. He thinks that reflagging is dangerous and that, when it proves so, the public will halt it. It would be better, he believes, to go to the United Nations for an arms embargo on Iran, peacekeeping and diplomacy.

We think he is wrong and that there is an answer to his argument in the requirement to brace the moderate Arabs, to strengthen whatever inclination revolutionary Iran may

have to negotiate an end to the war and to keep Moscow from becoming Gulf protector by American default. Nor does Senator Pell take account of the UN record of frustration in the Gulf. Mr. Reagan, however, has centered his policy pleading on the implausible prospect that a cutoff of Gulf oil could come soon, leading to long lines at American gas stations. He must do better than that to keep the Pell vote from embarrassing his policy.

Meanwhile, officials ponder the rules of engagement that should guide American ships protecting the Kuwaiti tankers. The shadow of Beirut, where American military men were given a mission that exposed them to heavy risk and orders that restrained their self-defense, necessarily overhangs the proceedings. This is the content in which the extreme option of pre-empting Iran's new but not yet operative missiles at the mouth of the Gulf comes up. Reading about it in the paper will no doubt persuade some people that the whole Gulf exercise is just too chancy. The important thing, however, is that rules of engagement both serve an appropriate mission — and the mission cannot be to go to war with Iran — and address expected risks. It is awkward to thrust out these matters in semi-public, but this is the way to develop a sound policy, and to ensure it will survive the next administration. — **THE WASHINGTON POST**

Gandhi Fans the Flames

India calls it "humanitarian aid" to be-leaguered Tamils threatened with massacre. Sri Lanka vehemently denies atrocity charges and denounces India's air drop of supplies as "a naked violation of our independence." Rajiv Gandhi of India has become as much field marshal as prime minister, while armies mass on all the subcontinent's fault lines. It is past time for him to stop all the marching and to restart negotiations on four fronts.

Chinese and Indian troops are reportedly reviving a boundary dispute that in 1962 led to a war. Mr. Gandhi is staging non-stop military maneuvers on the India-Pakistan border, in anger over Islamabad's nuclear ambitions and its U.S.-aided arms buildup. And within India, the Punjab is again torn by violence between Sikhs and Hindus, while Hindus and Muslims step up violence against each other in the northern state of Uttar Pradesh.

Such internal violence is an old Indian problem; the frontier maneuvers are most probably shadow-boxing; and Mr. Gandhi's resort to big-stick diplomacy in Sri Lanka recalls Indira Gandhi's belligerence with smaller neighbors. Mr. Gandhi begins to look like his testy and authoritarian mother, but without her cunning.

It is in everyone's interest to stop the killing in Sri Lanka, resume negotiations and prevent two ethnic communities from embroiling the world in their civil war.

Dismaying, India has plunged into intervention before independent monitors established what happened in Sri Lanka's sweeps against Tamil insurgents on the northern Jaffna Peninsula. There is more than a suspicion that Mr. Gandhi wanted the headlines, not the evidence, in first ordering a flouilla to carry aid to rebels, then mounting an airlift when Sri Lanka dared to block the relief boats.

Standing tall for two million Hindu Tamils against Sri Lanka's Buddhist Sinhalese helps Mr. Gandhi at home — especially heading into Thursday's critical election in the northern state of Haryana. The ruling Congress Party has lost a string of local elections, and badly needs a victory.

Mr. Gandhi can truthfully say that he tried to mediate, and that twice Sri Lanka's president, Junius Jayawardene, withdrew concessions under pressure from hard-liners. But this ignores atrocities committed by Tamil terrorists, New Delhi's inability to clamp down on their training camps and to prevent the arms flow across a narrow strait. And in December, Mr. Jayawardene came up with an autonomy compromise. Mr. Gandhi liked it, but Tamil militants rejected it furiously.

Mr. Gandhi did not light these fires but he is now fanning them. Where is the calm, good-humored and conciliatory Rajiv Gandhi who so impressed the world a year ago? — **THE NEW YORK TIMES**

Other Comment

Talking About AIDS in Venice

There are pressing reasons for talking about AIDS at the Venice summit meeting. The World Health Organization needs \$37 million in voluntary contributions this year to launch its Special Program on AIDS. The work of WHO will be facilitated by a summit declaration acknowledging the central role of the organization.

And the seven powers can play a significant role in resisting the extremism that already has taken a toll in two nations represented at the Venice meeting. In West Germany, in defiance of the federal government,

the Bavarian government on May 19 imposed a mandatory AIDS testing program for all persons seeking public office, as well as for non-European immigrants seeking residence permits. In France, Jean-Marie Le Pen, the leader of the extremist right-wing National Front, has made the isolation of people with AIDS into asylums a major campaign that could frustrate the French government's own constructive program.

The Venice meeting provides a rare opportunity for the seven powers to set an example of committing adequate resources to an urgent issue, and [to show] political probity. — **The Los Angeles Times**

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OPINION



The Gulf: Why America Has No Choice but to Stay

By Daniel Patrick Moynihan

The writer, Democrat of New York, is a member of the Senate Foreign Relations Committee.

WASHINGTON — When President Reagan addressed the American Newspaper Publishers Association on Ellis Island last month, he said he was invoking Lenin by saying, "The road to America leads through Moscow."

It was not Lenin the president had paraphrased but his associate Leon Trotsky, who in 1919 said, "The road to Paris and London lies via the towns of Afghanistan, the Punjab and Bengal." Trotsky proposed the establishment of a Revolutionary Academy in Turkestan and the raising of a great force of cavalry to invade India.

The point is that the Soviet Union, geographically, is overwhelmingly Asian and, having long since reached the Pacific, has for a century been pushing south toward the Indian Ocean and the Arabian Sea. From this perspective, the significance of the secret sale of arms to Iran begins to sink in. This faithless, doomed conspiracy has reached far beyond mere disgrace. It has threatened the balance of world power.

In short, Soviet warships, at Arab invitation, are now on station in the Gulf. If they stay, the West risks losing control of two-thirds of the world's oil reserves. The great geopolitical prize of the 20th century is now in their grasp, Americans did that. More precisely, the Kuwaitis did. They turned to the Russians for protection of tankers threatened by the Iraq-Iran hostilities. Kuwait officials journeyed to Moscow. A secret agreement was reached far more ominous than yet realized.

On May 29, in a hearing of the Senate Foreign Relations Committee, I asked Richard Murphy,

the assistant secretary of state for Near Eastern and South Asian affairs, what could have possessed the Kuwaitis — the natural prey of the Soviet Union — to seek its protection. He answered: "Well, the moment of that decision was not coincidental. It was November 1986."

I asked, "It was not coincidental that the Kuwaitis asked the Soviets in as it came to be known throughout the world that we had been shipping arms to Iran?" He replied: "It's got to have been a factor." Whereupon Congress may have received the first truthful response from an administration official since the conspiracy was blown. And a true measure of the calamity, Sunni Arabs, having learned that the United States was arming Shiite Persians, decided to reward this duplicity in kind.

It was hard enough getting the Russians out of Iran after World War II, and since 1949 the United States has had naval forces stationed in the Gulf to keep them out. That period is now past. Further, to recall Trotsky, the Russians have seized most of the villages and all the cities of Afghanistan. (The city of Herat, within fighter-bomber range of the Gulf, figures prominently in the correspondence of Queen Victoria, when the Russians were probing Baluchistan a century ago.)

With the Punjab in some disarray and West Bengal under a Communist government, the Russians have now taken up station in the Gulf

athwart the shipping lanes on which the economies of Japan and Western Europe depend utterly.

Soviet protection has its price, however. The Kuwaitis, who head the Islamic Conference Organization, have begun to pressure Pakistan to ease its insistence that Moscow withdraw its armored cavalry and other forces from the Khyber Pass and parts west. Is yet another U.S. policy at risk? Is the whole region at risk?

Well, we Americans asked for it. No, wait. The American people did not. A handful of conspirators did. It is still possible to make this point, even to nations in which conspiracy is not all that uncommon. All the more reason that Congress should be seen to support the policy of every American president back to Harry S. Truman. There is no choice. The Gulf is vital to American interests. It is not vital to Soviet interests. Americans cannot accept their intrusion.

The more also the United States should use this moment of danger not merely to assess damage but to ask questions of character. In that most beautiful of his poems, "By Blue Ontario's Shore," Walt Whitman saw clearly the cycles of history. "Any period one nation must lead. One land must be the promise and reliance of the future." This came to us. The American people have no reason to let it slip away into the hands of a despicable totalitarianism through simple unwillingness to face up to their own behavior.

"Who are you," Whitman continued, "that wanted only to be told what you knew before? Who indeed? We shall be finding out." — **The New York Times**

To Revive U.S. Industry Means Restoring Lost Faith

By Akio Morita

THE TRADE imbalance between Japan and the United States, which now amounts to \$60 billion, is clearly unacceptable. Both countries must share the blame. Yet neither has really been honest with itself.

Japan's efforts to address the problem have been "too little, too late."

The Japanese approach has been to address each specific American complaint as it comes up rather than to look at the issues in a larger context and then work to solve the underlying problem. The Americans, meanwhile, tend to blame everyone but themselves for the fact that their currency has declined in value and their industry has lost its competitive edge.

The United States is locked into a "big nation" self-image, and this is out of date. The Japanese persist in thinking of themselves as a poor, dependent nation, even though Japan is the world's largest creditor nation and a world leader in many technical areas.

Americans used to be able to buy whatever they wanted with dollars. They never had to earn another country's currency to pay for imports. Now the huge federal deficit is being financed by funds from abroad in forms of capital flow and loans, giving Americans the false impression they can keep living as they always have.

Japan's experience has been different. Having always had to buy most of its raw materials and much of its food from abroad, Japan had to export to earn dollars because no trading partner would accept the yen. We had to export or die.

Now some people in the United States — people with an eye to political office — are saying that the trade imbalance is Japan's fault and are proposing retaliatory measures. The fact that America also maintains quotas on steel, textiles and machine tools is seldom mentioned. In any event, retaliatory measures are not the solution to our problems. Sanctions and self-righteousness rarely result in sound policy.

My company's business is to supply electronic products to the world market. Our policy is to make products where the market is. In 1970, we decided to build a factory to produce television sets in San Diego. At the time, it took 360 yen to buy a dollar, so operating costs in the United States were much higher than in Ja-

pan. Nevertheless, we were confident that our judgment was a correct one in the long run. We invested, transferred our technology and trained our people. Now our plant in San Diego is exporting TV sets to Japan.

Some people think this is curious. An American friend recently said to me, "Akio, I bought an American TV rather than a Japanese TV because we have a terrible trade deficit." I found out later that the American set was made in Taiwan, and the Sony set that I decided I wouldn't buy was made in the United States.

As I had to tell my American friend, what we were seeing was the difference between a company with faith in itself and a company that had no faith in itself at all.

I am afraid that American industry has lost faith in itself, and that the trade imbalance would not be corrected until that faith is regained. The Japanese automobile industry, in particular, is investing heavily in new plants in the United States, creating thousands of new jobs. The American automobile industry, on the other hand, is investing in the Japanese automobile industry not to obtain a foothold in the Japanese market but to buy engines and even complete

automobiles to be sold in the U.S. market under their own brand name.

I helped General Motors acquire one-third interest in Isuzu because I thought this would help sell GM cars in Japan. But instead they started to import components and completed cars from Isuzu. Lee Iacocca, the head of Chrysler, criticized the trade imbalance while importing aggressively from Japan. It is ironic that those engines and automobiles are then counted as Japanese exports to the United States, tipping the trade balance further in Japan's favor.

I now see encouraging signs that Americans realize that the trade imbalance cannot be solved by erecting protectionist walls that will serve only to restrict trade and threaten worldwide recession. Neither will the trade problem be solved by the manipulation of the yen-dollar exchange rate, because if American industry does not generate products to sell, price does not matter. The only solution is for American industry to regain its competitive edge.

Unfortunately, America's brightest managerial talent is engaged in takeover moves and empire-building. The best students do not study engineering but become MBAs or lawyers

20 Years After, Uneasiness in Israel

By Stephen S. Rosenfeld

WASHINGTON — Everything after Israel's victory in June 1967 seemed so right, so natural, so inevitable. Surely an Arab would pick up the phone, in Moshe Dayan's phrase, and call Israel for peace. In any event, Israel's security looked permanently ensured by the technological superiority of its culture over the culture of the Arabs. In those days one still thought of them as "the Arabs" — collectively, ethnically, dismissively.

The years 1967 to 1969 were painful ones in the United States. The promise of the civil rights revolution was turning to ashes in the ghettos. The last great crusade of U.S. foreign policy was coming to grief in the rice paddies of Indochina and in the streets of America. You did not have to be Jewish to view Israel not only as a military model but as a political society that had found its way.

In time, of course, reality eased this sweet and false picture, and produced a new American-Israeli condition. The quality of state relations, the fervor of official rhetoric, the level of aid have never been higher. But underneath is a layer of unease, a sense of difficulty brewing.

From the detachment shown in 1967 and the "evenhandedness" suggested afterward, the United States is now firmly and all but formally on Israel's side of the Arab-Israeli — better, the Palestinian-Israeli — dispute. But in the process Israel has become deeply dependent on American money, arms, intelligence, technology and good will.

With Israel's becoming a state living on American remittances comes a potential for distortion. U.S. aid goes not only to defend a friendly emboldened democracy but to support the still relatively high Israeli standard of living. The numbers are too large,

and Israel's edge over other aid recipients is too visible. America is generous, and the Israeli lobby is powerful, but there have been occasions when Washington held back aid to make a point, and the impulse could return.

The assertion that America and Israel now share strategic purposes is misleading. There is a consensus that U.S. ships should dock in Haifa in peacetime, but on the true strategic questions — projecting military power into the Gulf, confronting the Soviets — there is no consensus. The disintegration of U.S.-Israeli cooperation in the Iran affair once it was revealed proves this. So does the absence of an Israeli factor in the intense American calculations over the Gulf.

The two governments came to an overblown vision of strategic partnership in the early 1980s, but this could yet shrink into something more modest and more appropriate. The question is whether this will happen as the result of prudent tailoring by the two countries or whether it will happen with a jolt damaging one or both.

The USS Liberty episode of 1967, in which the United States evidently sent a ship to spy on Israel and Israel bombed the ship to keep its freedom of action from being circumscribed, remains an unhappy but precise expression of a basic continuing difference in strategic perspective.

Since 1967, the United States has come by stages to think that a Middle East peace is possible and necessary. Still, over the years Americans have displayed an uncommon deference not simply to imperatives of Israeli security but to the convenience of Israeli domestic politics: sparing Israel the hard choices it eventually will have to make if it is to do its part to

achieve peace. The net result is that the United States does less than it might to promote a peace policy that many Americans believe to be sound for America and safe for Israel.

The 20-year record shows immense American understanding for the difficulties of making peace with adversaries such as Israel has. The record also shows that Israel has used its favor in U.S. politics and public opinion to avoid excruciating decisions on territorial and political compromise with compromise-minded Palestinians.

The 20th anniversary of a war is not a bad moment for people in both countries to contemplate the advantages of acting for peace before there is a slacking in the extraordinary American deference that Israel still enjoys.

The Washington Post

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Revolt in Cuba

WASHINGTON — It was officially announced at the War Department [on June 7] that preparations have been completed for the immediate despatch of 5,000 troops to Cuba to put down the negro insurrection. The purpose of the expedition, it is stated, is purely military and to restore order, and there is no intention of obtaining political control of the island by annexation or otherwise.

NEW YORK — The gravity of the situation in Cuba is emphasized in a telegram from Havana [on June 7], by the issue to the people by President Gomez directing them to arm in face of the national peril. Operations of the military in the province of Oriente have completely halted due to the impossibility of infantry, artillery and cavalry advancing simultaneously into the mountainous region.

Of the Press, Politics and Private Lives

By Jim Hoagland

PARIS — Two photographs published in Europe last week have altered the perception here of the Gary Hart case. The tawdriness and stupidity of the caper that felled Mr. Hart are finally conveyed in the images of him balancing Donna Rice on his knee and mugging for the camera aboard the good ship Monkey Business.

Until now, European politicians, journalists and others have tended to see Mr. Hart as the victim of an overly powerful and inquisitive press. They have professed shock not over his Saturday night and Sunday morning with Ms. Rice, but over America's apparent moral hypocrisy in singling out one politician for punishment for a human, forgivable foible.

"If we used the same standards, we would not have been able to have three of our past four presidents, who were good presidents," an indignant Frenchman said shortly after Mr. Hart withdrew. Endorsing the curtain of discretion that European newspapers draw around the sex lives of the politically prominent, he added: "And we all know that at least two West German chancellors would have flunked such a morality code. Can we be blamed for wondering if America is a serious country?"

"It is just not the same culture," Francois Léotard, France's minister of culture, told a questioner. If French media emulated The Miami Herald's approach to political reporting, "no French politician could withstand it." (It is necessary to except Britain from this description of European reactions, since Fleet Street has long since made kissing and telling a lurid public pastime. The ability of my fellow University of South Carolina Phi Beta Kappa, Ms. Rice, to cash in on her sudden notoriety suggests that we Americans are simply catching up with our British cousins in such prurient behavior, exercised in our case through Playboy, Penthouse or Miami Vice rather than through the tabloids in London.)

What are the cultural differences that divide Europe and the United States on the interplay of public morality, sex and the independence of the press when it comes to examining the private lives of politicians?

It is partly a matter of European cynicism, asserts Christine Ockrent, France's most prominent television journalist. "Nobody here believes that lying is a sin, or that it is even a mistake. And besides, the French think they are great lovers, so anything to do with sex is a plus, and not something to be exposed as scandal."

It is also a matter of politics. Europe's newspapers, magazines and radio and television networks remain to a surprising extent supported by subsidies from political parties or by governments through tax breaks or direct funding. They are party to the tacit understandings among the political leaders themselves that private lives are out of bounds in political warfare.

Themselves part of "the political class" in a way their American counterparts have not traditionally been, journalists follow the convention from society and as a matter of personal taste. They sense that if they were to ask a politician about his record on adultery, their own private lives and that of their editors would quickly become fair game for public inquiry and disclosure. They have found it difficult to understand how Mr. Hart could appear to be so helpless in a direct confrontation with journalists.

But the Monkey Business Photo Archives have shifted the focus of reaction here, swinging it away from an automatic assumption that the U.S. media conducted a politically inspired lynching for the benefit of a puritanical American public, and onto Mr. Hart's poor judgment. Posing for happy photos at a time when he was insisting that he was so happily married sharply diminishes Mr. Hart's standing as victim in worldly wise European eyes.

The growing move in Europe and in France in particular to encourage private ownership of television and radio broadcasting networks is clearly causing concern among politicians about the future. For them, the outcome of the Hart case outweighs the fine points about who should have been shocked by what. For former Prime Minister Raymond Barre the question is nothing less than whether "the Fourth Estate has not become so powerful that it is hindering the normal working of the other three."

This view of the media is largely a myth imported from America, the French writer Jean-François Revel responds, "but the politicians believe it, the public also, and the journalists in the media even more. The fundamental fact is that they are now all adapting their behavior to this change and thus turning it into a reality."

The Washington Post

1937: Jean Harlow Dies

LOS ANGELES — Jean Harlow, twenty-six, glamorous platinum blonde of the films, one of the world's favorite Hollywood stars, died [on June 7], in the Good Samaritan Hospital at Los Angeles, where she had been taken hours before unconscious, suffering from acute uremic poisoning. Miss Harlow became ill May 26. Writing a thumbnail biography of her a year ago, Jim Tully said, "She typifies on the screen the young woman who will never grow up, whose capacity for pleasure is so vast there is no room for thought. As brittle as glass on the screen and as easily seen through, she is neither evil nor unkind — merely uncomprehending. Her work in 'Dinner at Eight' and 'The Red-Headed Woman' established her as an actress of ability. She was a sensation in 'Hell's Angels.'

Of the Public
Politics and
Private Life
By John H. H. H.

the system on cold instead of hot, worried about," said Vic DePaula, postal will figure as a major bus-

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Tuning In To Japan's Subtle Shifts

By John Meehan

EXPENSIVE, SPECULATIVE, unpredictable. These are terms foreign money managers have been using with greater frequency in recent months to describe Japanese stocks as they continue a dizzying price climb. But for Laura Luckyn-Malone, the notion that the success of the Tokyo Stock Exchange is merely a function of a casino mentality could not be further from the truth.

"I'm not saying it doesn't exist. But you don't have to invest that way to succeed," argues the 34-year-old portfolio manager of the Japan Fund. Instead, she views the market as the best indicator available to understand the Japanese economy. "And the economy is changing," says Ms. Malone. "The challenge is to find out when and where the changes are taking place."

Indeed, in a prolonged rally that some investors believe has more than a fair share of madness, Ms. Malone sees a method. In the mid-1970s, she points out, manufacturing was seen as Japan's future: Nippon Steel was one of the market's best performers. After the oil shocks dulled the outlook, assembly-line industries and technology shares, such as Hitachi, took off. Now, in the midst of a lengthy trade dispute, the market has turned to the financial and domestic service sectors.

Such change is a permanent fixture, Japanese companies were hardly household names back in 1962, when the Japan Fund, which is managed by Asia Management Corp., a subsidiary of Scudder, Stevens & Clark Ltd., premiered on the New York Stock Exchange. It was the first single-country, closed-end fund to invest in the Tokyo stock market, which was just beginning to respond as Japan began to flex its economic muscle.

The economy has matured much since then and so has the fund. Last month, shareholders voted to convert the fund into a conventional mutual fund after it was trading at around \$18 a share on the market, a 10 percent discount to its asset value.

With close to \$700 million under management, the portfolio's net asset value rose 77 percent last year. The Nikkei index of Japanese stocks gained almost 81 percent in dollar terms during the same period. This year has been trickier, however. Although the market rose 25 percent in dollar terms in the first quarter, the fund was up only 8 percent.

Ms. Malone, a Cambridge graduate who left her



Laura Luckyn-Malone: "Ignore the government at your peril."

native Britain a decade ago and has managed the Japan Fund for the past two-and-a-half years, attributes the discrepancy in part to the decision last February to add Nippon Telephone & Telegraph, which is not available to foreign investors, to the index. Moreover, the unexpectedly fast appreciation of the yen, she notes, left many fund managers overweighted in export sectors.

As for the future, Ms. Malone is confident that the rally in Tokyo will continue. If approved, the recent fiscal package announced by the Nakasone government could add as much as 2 percent points to Japan's economic growth, she believes.

But the numbers are not the only clue to the market's future, she says.

Right now, she is watching with interest the emergence of a young professional class in Japan, who, like their "supply" counterparts in other countries, are making an art out of consumption. This marks a significant departure from traditional Japanese culture, which frowns on material consumption.

Demographics are also important, Ms. Malone says. Japan is an aging society, and the government has taken steps to enhance the funding for research

and development in the pharmaceutical industry. Although rumors of an imminent cure for cancer, AIDS periodically throw the market into a frenzy and ultimate disappointment, she says, this official commitment will continue to benefit pharmaceutical stocks in general and biotechnology stocks in particular.

Not surprisingly, Ms. Malone says she spends a lot of time with bureaucrats on her trips to Japan. "You ignore the government at your peril," she says. "It's not that they have a plan, but they have a vision."

As for fundamentals, Ms. Malone does not ignore the conventional yardsticks, such as earnings, cash flow and quality of management. But when it comes to price/earnings multiples, Ms. Malone thinks value in Japan is very relative.

"If a Japanese broker calls me and tells me about a company selling at 16 times earnings, the first thing I ask is what's wrong with it," she says. "There are a lot of reasons why the market ignores these stocks."

Ms. Malone's current portfolio clearly reflects her belief in a new consumer-oriented Japan.

Her fund's largest single holding is in Tokyo Corp., ostensibly a railroad company. In fact, the

company amounts to a conglomerate with holdings in bus lines, hotels, a share in a domestic air carrier and an extensive real estate portfolio.

"It's a proxy for everything you want Japan to be in the future," she says.

The housing sector is also represented. Ms. Malone especially likes Sekisui Chemical Co., which aside from its chemical business is a leading maker of prefabricated houses and building materials. It also manufactures sewage pipes, a key product. Ms. Malone says, given the fact that many Japanese homes still have no flush toilets.

Daikyo Kanko, one of Japan's biggest condominium builders, is another favorite, she says. Moreover, the company has growing interests in the leisure industry, which includes developing an elaborate resort on Australia's Gold Coast.

In the retail sector, Ms. Malone is fond of Marui Co., a Tokyo department store that was the first in Japan to offer credit. It has become a favorite for young professionals because of a popular fashion line it markets to men and women in their 20s.

Among financial stocks, she likes Nomura, Daiwa Sumitomo Bank and Sanwa Bank. The Industrial Bank of Japan is another favorite. Originally founded to promote industrial development in Japan, the bank came to realize in recent years that it had outlived its usefulness and decided to turn to investment banking. Ms. Malone acknowledges that investors would have had reason to be skeptical of the chances for success.

"Nothing that the bank wanted to do would have held up if you just scrutinized the numbers," she says.

But she was swayed by the government's continued deregulation of Japanese financial markets and the fact that IBI clearly has government support. Since then, the bank's fee-generated income has climbed. Last year, it acquired J. Henry Schroder's Bank in New York, which in turn bought Aubrey G. Lanston, a primary dealer in U.S. government securities. IBI's interim profits were up 50 percent, she notes.

DESPITE THE TRADE FRICTION and uncertainty surrounding the dollar, Ms. Malone is reluctant to abandon the big exporters that built the market's reputation. While conceding that these stocks "haven't done anything for two-and-a-half years," she contends the manufacturers have undergone rigorous internal restructuring, often moving facilities outside Japan.

As a result, she says, some companies have geared their operation to make money even if the dollar drops to between 120 and 140 yen. Here she likes the household names like TDK Corp., Sony Corp., Canon and NEC.

Ms. Malone also likes some smaller stocks that have been ignored in the latest rally because of liquidity problems often associated with the market's second-tier issues. She likes Chiyoda Shoe Shop Co., a retail shoe outlet that had remarkable results after it opened a chain of toy stores that specializes in electronic toys.

"It's interim earnings were up 45 percent" she says. "But the stock market ignored it."

Betting on the Dreams Of Japan's Future

Continued from Page 7

tic spending package that many economists believe is a tacit acknowledgment that social, political and economic pressure for change can no longer be held back.

This best explains the market's continued commitment to a broad domestic theme that places special emphasis on the housing, construction, chemical, retailing and real estate sectors.

Whether or not these expectations are realistic, the current crop of concepts has powered the Tokyo market to heights no one would have predicted even a few months ago. The Nikkei index of 225 stocks has risen about 30 percent since the start of the year and is up 85 percent from the beginning of 1986. Volume is running at nearly 1.5 billion shares daily, more than double the 1986 average.

The view that this market simply could not go any higher, a concern often voiced by foreign investors, has once again been swept aside. The current leg of the Tokyo rally, which began last November, has driven average price/earnings multiples to 75 or so, five times the average in New York and more than triple what they are in London.

Even at that price, there has been no rush out of equities. But the level of anxiety has clearly risen. Everywhere, it seems, there is a sense that the future is a matter of "progress through uncharted waters," as Nomura Securities Co. titled a recent research paper.

The immediate fundamentals are hardly encouraging. Japan's economy is officially forecast to grow by 3.5 percent this year; the consensus in the market is that growth will be limited to 2.5 per-

cent. As for corporate profits, Philips & Drew in London believes earnings will rise 1.2 percent this year, less than half the 5.5 percent a year expansion that companies averaged between 1981 and 1985.

With the Nikkei hovering at 24,000, investors are watching for signs that the index's retreat last year, by 16 percent from mid-August through October, will be repeated.

Confounding the outlook is the chronic problem of excessive liquidity. The "weight of money" theory has often been used to explain the market's dramatic rise. Even in the mid-1970s, when the Nikkei was below 4,000, Tokyo was a place where too much money was chasing too few shares, just as in the case of far less mature markets in Asia, such as Seoul and Taipei.

NOW, THE LIQUIDITY argument is central to Tokyo's prospects. For most analysts, it has become the paramount consideration that will likely guide the exchange over the next few months.

Tokyo's capitalization has nearly tripled since the beginning of 1986, to \$2.66 trillion, according to Morgan Stanley Capital International. Although this makes it the world's largest equity market, roughly two-thirds of its stock remains untraded as part of the complex web of cross-holdings at the center of Japan's corporate and financial structure.

But it is the demand side of the equation that has forced up prices most dramatically. While local individuals have long been net sellers, their growing sophistication and their concerns about the mar-

ket's dangers are swelling the assets controlled by investment trusts, as unit trusts are called here.

These are now valued at about 35 trillion yen; some fund managers expect investment trust assets to reach 50 trillion yen by the end of this year.

As the Japanese work force matures, life insurance companies and pension fund plans are following the same growth pattern. Their combined assets have grown by two-thirds over the past four years, to 81 trillion yen; this year, according to Nomura, they will increase an additional 22 percent.

Exchange-rate risks and record low interest rates at home have funneled an increasing percentage of these funds into Japanese equities. These factors, combined with the grim outlook for exports and a sluggish domestic economy, have also given rise to a relatively recent phenomenon: the so-called Tokkin funds, independently managed vehicles through which manufacturers invest in financial assets.

The Tokkins scarcely existed five years ago, when exports were still king. Last year, they grew by 130 percent to 20.5 trillion yen; this year, the Tokkins are forecast to reach 37 trillion yen.

All this has made the market highly vulnerable to suggestions that interest rates may rise, that the yen may stabilize or drop in value, or that the economy may pick up. Reflecting the spread of concern about these factors, investment trusts were net sellers in April for the first time in almost a year, and foreign investors staged the second-largest sell-off they have ever recorded.

Both groups, however, were buying again in May. The liquidity

argument, in effect, is proving an irresistible draw, even for some normally skittish Gaijin fund managers. Like their Japanese counterparts, many foreign analysts predict a Nikkei average of 26,000 to 27,000 by the end of the year, despite the obvious liabilities.

"We argue that such is the weight of money behind the Japanese market that its present level is not too high," insists Mr. Patterson of Jardine Fleming. "There is something that represents value underneath all of this."

That, in fact, has become increasingly difficult to identify. Investors in Japanese stocks still have to cope with the kind of practices more common in less developed markets. These include a partial disregard for fundamental criteria and extensive insider trading.

The "ramping" of stocks by major brokers is also common. A good example has been Nippon Steel. Despite poor fundamentals, local brokers continued to paint a bright picture for the company because of industrial restructuring. It started the year at 168 yen and peaked at 403 yen on May 11 in heavy trading. "There is no reason at all to buy this stock," says one British analyst.

Not surprisingly, investors are having a tough time assembling portfolios. Even U.S. and European fund managers who used to be a small but significant force, outperforming both the index and their local competitors, have had trouble adapting to a market of rotating themes.

"It's been difficult for the winners in 1983 to come to terms with what has turned out to be a secular change," says James J.D. Hegarty, planning manager for Yamaichi

International Capital Co. and a long-time resident of Japan. "Suddenly, the best performers were stocks that hadn't moved for years."

The classic example has been the financial sector, an area that was even overlooked by many Japanese managers. Until 1984, when bank stocks were first allowed to issue shares at market value, rather than at par or a little above, bank stocks were virtually ignored.

Now the sector, which includes insurance companies and securities houses, accounts for almost a third of the market's capitalization. Since they have doubled in value over the past year, their place in a portfolio has been crucial to its performance.

The ideal stock, says Timothy Schilt, vice-president of Morgan Stanley International Ltd., is one with a strong story, positive earnings momentum and a reasonable share price.

"If you get in early enough and a market develops, you've got a good investment on your hands," Mr. Schilt says.

TIMING IS IMPORTANT, however. And the market is notorious for its fickle nature. In recent weeks, investors have developed a growing fascination with the smaller capitalized stocks that make up the exchange's second tier.

This marks a dramatic departure from the market's preoccupation with big, liquid stocks in Tokyo's first section. Second-tier issues, many with price/earnings of between 20 and 30, have generally been ignored because of their relatively small float. In fact, fewer than half of Japan's brokers even track second section stocks.

Now along with export stocks, which bottomed out in mid-April, second-tier issues are the leaders. A good example is Joshin Denki, a consumer electronics retailer, whose share price went up 20 percent in the second half of May. By contrast, the high-volume stocks that previously could not be avoided have declined. Financials, for instance, have lost 10 percent to 20 percent in value in the same period.

"We've had a 100 percent change in leadership in the past month," Mr. Schilt says. "You're seeing a new theme begin to take shape."

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The Diamond Market Regains Its Confidence

The key factors:
Inflation anxiety,
tighter supplies
and better demand.

By Cynthia Catterton

WHEN DE BEERS CONSOLIDATED Mines Ltd. increased its diamond prices 14.5 percent last year, dealers worldwide felt a keen sense of relief. The move by De Beers, which controls roughly 80 percent of world sales of rough diamonds, signaled its confidence that the market was finally on the road to recovery.

So far, prices have improved steadily. The recent outbreaks of inflation anxiety, set off by rises in commodities prices, were just the sort of psychological push the market needed. Helping is a tighter supply of diamonds and stronger demand, especially from Japanese and Europeans, whose strengthened currencies give them more clout in the dollar-based diamond market. Some industry observers attribute the increased demand to buoyant stock markets that have lined the pockets of quality-conscious customers between the ages of 35 and 45.

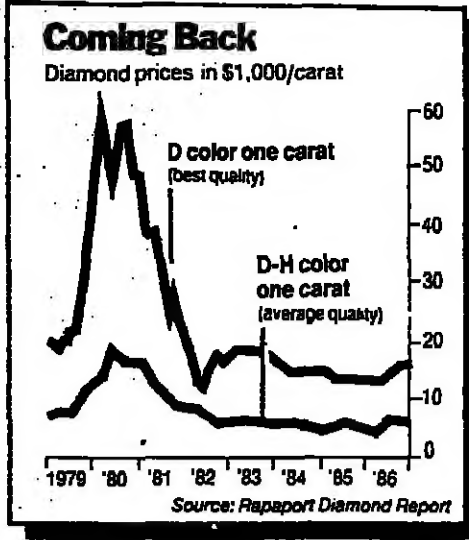
But the enthusiasm is still tempered by painful memories of what the industry darkly refers to as the "Crash of '80." In the second half of that year, expectations that inflation would drop and interest rates would rise initiated a sharp decline in diamond prices, leaving many dealers with huge stockpiles for the next several years.

Prices for the investment-grade "D-flawless" stone, considered a benchmark, plummeted from an average \$55,000 a carat in 1980 to as low as \$10,000 a carat in 1982. The current asking price is about \$16,000 a carat. Until last year's increase, De Beers had held off from raising prices and had tailored supplies of certain sizes of stones until some of the excesses could be absorbed.

The strategy appears to be paying off. According to Andrew Lamont, spokesman for the Central Selling Organization (CSO), the marketing cartel for the diamond industry, total worldwide sales of rough diamonds rose by 40 percent in 1986 to \$2.56 billion, about twice the \$1.26 billion in sales for 1982. That made 1986 the best year since 1980, when volume totaled \$2.72 billion.

Mike Gordon, a mining analyst at James Capel & Co. in London, estimates that sales of uncut diamonds will grow beyond \$3 billion in 1987. Retail diamond jewelry sales, the market segment which was the least affected by the recession, has increased steadily from 40 million pieces worth an estimated \$18.6 billion in 1980, to 49 million pieces in 1986 valued at \$24.6 billion.

One sign of the buoyant demand is higher auction prices. "After 1980, the public became shy of diamonds," says Francois Curiel, executive vice president of jewelry at Christie's in New York. "Now the public has regained its confidence to buy."



Mr. Curiel says that price per carat paid for some diamonds at Christie's April auction has increased by as much as 25 percent in the last six months, not including the 0.95 carat circular-cut rare red diamond, which fetched a record per-carat price of \$926,000 when it sold for \$880,000, nearly 8 times its pre-auction estimated value.

Few diamond buyers regard their purchases as investments in the pure sense. For jewelry buyers, there is the aesthetic appeal of the pieces coupled with the sense that the stones represent a hedge against inflation. Speculative investors probably make up less than one percent of all diamond buyers, Mr. Lamont estimates.

"In an inflationary environment, diamonds can be a secure way of holding your assets," says Joseph Schlusser, president of the Diamond Registry in New York. "Plus, they are a lot easier to carry around than a few bars of gold."

Yet, in many ways, the diamond market is far

trickier and riskier than the markets in precious metals, says Martin Rapaport, dealer and editor of the Rapaport Diamond Report. Every diamond is different, so the value is subjective, he notes.

"You know what you're getting with gold," he says. "But unless a diamond comes with an appraiser's certificate, investors are buying a story and hoping that the diamond's value matches the story."

Precious metals investors also can speculate in gold shares, futures and options, all of which have liquid markets. "There are a range of vehicles available to make it easy for a gold investor to buy and sell," Mr. Rapaport says. "But there is no Comex for diamonds," he noted, citing the principal market for gold futures and options.

Diamond purchasers typically pay a retail price and take possession of the stones. When the times comes to sell, it will be at the prevailing wholesale price, Mr. Rapaport says.

Despite the heavily promoted cachet of diamonds as signs of achievement and expressions of affection, few buyers are indifferent to the outlook for the market. Says Mr. Curiel at Christie's: "As much as I hate to admit it, I've never seen someone buy a diamond without considering whether it's a good investment."

On an elementary level, the value of a diamond is determined primarily by its color, clarity, cut and carat. Color is graded on a scale from "D" (internally flawless), VVS1 and VVS2 (very, very slightly included) through I3, which denotes more substantial imperfections.

The rule of thumb has been to acquire the best quality that the buyer can afford. But experienced buyers say it is important to look across the spectrum of the market for the best trade-off between price and quality. In some cases, it may be better to buy lesser quality stones that seem undervalued in relation to those of higher quality.

Although the D-flawless is most often cited as the benchmark of the market because its rarity ranks it as investment grade, it represents only a specific category

of very rare stones, according to Lloyd Jaffe, chairman of the American Diamond Industry Association. Using its price as a gauge for the whole market would be misleading, he says.

In fact, as prices for the larger and more expensive stones started to decline in the early 1980s, demand for other lower quality, jewelry grade stones appreciated by as much as 20 percent, Mr. Rapaport notes.

"Many people who bought D-flawless stones back in 1980 are still crying because they can't get their money back, while those who bought H-color have seen their stones appreciate," Mr. Curiel says. "Any stone that is well-priced for its quality will probably bring a good return on your investment." He advises buyers to stay away from highly imperfect stones and extremely elaborate cuts.

TODAY'S BUYERS ARE GOING FOR large diamonds. Stones of three carats and more, and stones of unusual natural colors like brown, yellow and pink are much sought after. "Demand for these stones is booming and their prices have hit the roof," says Mr. Rapaport, who suggests that the attention to larger stones may leave bargain opportunities for single carat pieces.

The high prices for large diamonds have more to do with their rarity than their sheer weight. According to Mr. Lamont at the CSO, of the millions of tons of ore sifted each year, only about 40 single carat D-flawless stones are unearthed. The odds against finding larger stones are even greater. That is why a 23-carat diamond is worth so much more than the sum of 23 one-carat stones.

The rarity factor means that prices of large stones move far more dramatically than those of small stones. A pear-shaped D-flawless diamond of 23.44 carats sold for \$47,000 per carat, a total of \$1.1 million, at the Christie's auction in April. Mr. Curiel estimated that six months earlier the same stone would have sold for only \$42,000 a carat, or about \$942,480.

Side-Stepping Fraudsters With a Little Savvy

THE COMPLEXITY OF THE diamond trade has made it one of the most active areas of investment fraud. "Individuals have to do their own legwork to find out prices of diamonds and their value and the reputation of the person who is selling it to them," warns Robert Friedman, a staff attorney with the Federal Trade Commission in Washington. "It's the only way to avoid getting taken for a ride."

Most important, say industry professionals, is to deal with reputable firms and dealers. Investors should be wary of brokers and investment management companies that solicit wholesale deals over the telephone, particularly if they urge the investor to act immediately.

"If the caller claims the deal is so urgent that there is no time for an investor to get a second opinion, it is a red light to keep away," advises Mr. Friedman. "If the deal sounds too good to be true, it probably is."

Price misrepresentation is a common ruse, says Mr. Friedman, who was one of the attorneys who

successfully prosecuted the International Diamond Corp. in 1982. In that case, federal prosecutors estimated that the company's 40,000 mail-order customers lost a total of \$50 million because of inflated prices on diamonds they purchased and fraudulent claims about the potential returns. A little shopping around and research into the health of the market can go a long way toward spotting over-priced stones.

Before investors buy a stone, they should get an idea of the resale value and the liquidity of their local market, says Martin Rapaport, editor of the Rapaport Diamond Report, which tracks prices. "They should pretend that they want to sell the stone they want to buy," he suggests. "They should call other dealers to see what price the stone could get."

Henry Braun at Anglo-Belge N.V., an insurance broker to the diamond trade in Antwerp, says misrepresentation of the quality of the stone is a common ploy. Sellers lead the buyer to believe the stone is of a much better grade than it actually is.

Individuals can minimize this risk by requesting a

certificate, essentially a detailed map of the stone, from an accredited appraiser, such as the Gemological Institute of America. "Without the certificate, you are trusting the word of the jeweler," says Mr. Braun.

But certificates are not an absolute guarantee, cautions Mr. Friedman: "People have to realize that the appraisal process is a subjective art, not an objective science."

Industry specialists recommend that investors and jewelry collectors take out insurance on the stones, and some even suggest having the certificate identification number or a personal code inscribed on the diamond by laser. The patented micro-inscription process is available on diamonds from Lazare Kaplan International, a cutter and wholesaler. The Gemological Institute also offers the service through an agreement with Lazare Kaplan.

The inscription is invisible to the naked eye and does not harm the stone.

Cynthia Catterton

On Measuring the Markets

Continued from Page 7

Co., publisher of The Wall Street Journal and co-founded by Charles Dow, maintains a roster of 30 big stocks judged to be representative of the market and U.S. industry.

Occasionally altered, the list currently contains such household names as IBM, General Motors and Exxon. While Charles Dow focused on industrials starting in 1896, the roster now includes some service companies, such as American Express.

To arrive at the average, add up the prices of each issue and divide — but not by 30. While 30 would produce an arithmetic average, like Dow's original formula, the divisor has been periodically changed, usually to keep stock splits and company substitutions from disrupting the average. The divisor was recently set at 0.824.

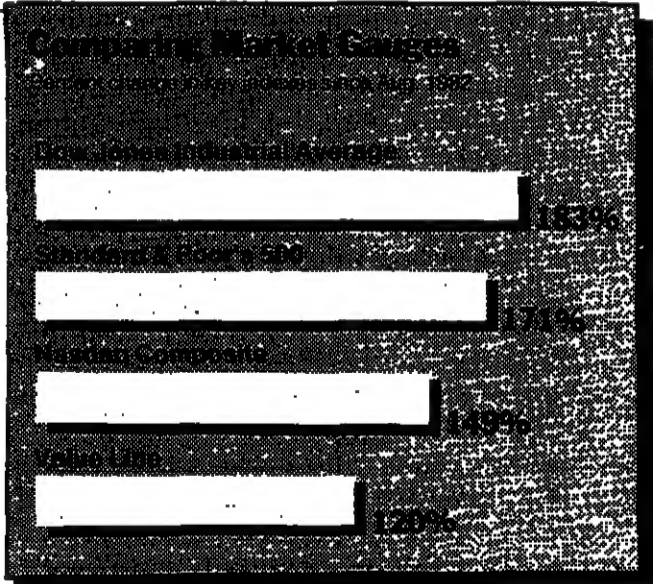
Market professionals, noting the Dow's stocks are widely traded, often use the index to gauge short-term market sentiment. The Dow also can provide historical perspective, for its 30-stock format dates back to 1928, well before the leading alternatives took their current forms.

Still, the Dow has long been dogged by complaints that its stock sample is too small to reflect the entire market accurately, and that the calculation formula can produce distortions. Specifically, critics say, movements in just one stock, particularly higher-priced issues, can unduly affect the average.

"It's a lousy index by any normal measure of what an index should be," asserts Christopher Nowakowski, president of InterSec Research Corp. of Stamford, Connecticut, an international pension consultant.

For greater long-term accuracy, many experts recommend the Standard & Poor's 500. A component of the U.S. Commerce Department's index of leading economic indicators, it is based on 400 industrials, 40 utilities, 40 financial institutions and 20 transportation companies.

Maintained by Standard & Poor's Corp., the index has all the Dow stocks plus a number of other major issues. It includes repre-



sentation of some industries not in the Dow, such as toys, and a handful of stocks traded in the over-the-counter market and on the American Stock Exchange. The 30 Dow stocks are all traded on the New York Stock Exchange.

In another departure from the Dow, this index is "capitalization weighted." IBM, with the largest market capitalization, accounts for about 4.7 percent of the index, while the 100 smallest issues in the S&P 500 together account for about 3 percent.

Among institutional investors, the S&P 500 is by far the most common performance benchmark. And John Markese, research director for the American Association of Individual Investors, says this is the index he most often recommends for individuals with diversified portfolios of large and medium-sized stocks. "It's broad-based and widely available," he says.

But no single benchmark is perfect for everyone. "It's important that you select a benchmark that is relevant to your portfolio," says Kelly Houghton, a vice president at Frank Russell & Co., a Tacoma, Washington, pension consultant.

A key consideration, he says, is the size of stocks an investor holds. Both the Dow and the S&P

500 chiefly reflect large capitalization issues, he says, while smaller issues often move differently. Last year, for example, his firm's Russell 1000, an index of the 1,000 largest U.S. stocks, posted total returns of 17.8 percent, but the Russell 2000, based on the next 2,000 largest issues, was up just 5.7 percent. The smallest market capitalization of a Russell 1000 issue is \$370 million.

"If you're focus is on small-capitalization stocks, it would be a serious mistake to use the Dow" as a benchmark, he says.

The Value Line Composite Index, based on the prices of about 1,700 stocks tracked by the Value Line Investment Survey, may fill the bill for investors with few blue chips. "The Value Line is more appropriate for the little guy," says Martin Zweig, publisher of The Zweig Forecast.

Although about 90 percent of the stocks in this index are traded on the Big Board, experts say the calculation formula gives more weight to "secondary," or non-blue chip issues, than do the S&P or the Dow. In contrast to both of those indexes, the Value Line gives equal weight to the percentage change in prices of its stocks, regardless of each stock's absolute price or market capitalization.

"If the investor has a portfolio of secondary stocks, this could come closer to his needs," says Stanley Eisenstadt, chief statistician at Value Line Inc. He adds, however, that the index "is not designed as a portfolio measure" but rather as a gauge of price changes.

For investors who focus on the over-the-counter market, the Nasdaq Composite Index is probably the best bet, says Mr. Markese of the American Association of Individual Investors. But T. Rowe Price Associates' New Horizons Fund, which emphasizes emerging growth stocks, has been using the Nasdaq Industrials Index, a company spokesman says, noting that

technology issues comprise about 40 percent of the portfolio.

Of course, indexes can serve as more than portfolio benchmarks; they can offer insight into price trends. Investors might want to periodically compare the differences among broad index performances. Other broad indexes include the New York Stock Exchange Composite Index of the roughly 1,500 common stocks traded on the Big Board, the Russell 3000, consisting of the stocks in the 1000 and the 2000, and the Wilshire 5000.

The latter index, started in 1974, purports to track virtually every stock in the United States, now about 6,000, using a capitalization weighting. Dennis Tito, president of Wilshire Associates of Santa Monica, California, says the firm launched the index after noticing that in one period money managers as a group seemed to outperform the S&P 500 while in another period they tended to lag. "Who's to say whether the S&P or the NYSE Composite are the right simplest?" he says.

The broader the index, though, the greater the risk it may mask important trends within the market. It is for this reason that many providers of broad indexes also present the performances of specific groupings of stocks. "Instead of trying to figure out what the market's doing, look for the industries that are outperforming the market," counsels Mr. Erlanger of Advest.

All of which brings up that time-honored question: Is there really a stock market or just a market of stocks?

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SMALL STOCKS

London:
USM Gains
In Stature

By Jeff Ferry

A YEAR AND A HALF AGO, Dr. Jean Shanks took her young medical-service company, JS Pathology, public, selling 15 percent of the equity on London's Unlisted Securities Market. The company offers a personalized blood-analysis service for private patients at a time when private medicine is booming in Britain.

With a total market capitalization of only £19 million, it was not long before the share price began to rise. From an initial offer price of 160 pence in November 1985, JS Pathology is trading these days in the range of 530 to 540 pence.

JS Pathology is one of those entrepreneurial success stories that flies the imagination of investors. Of course, for every success in the small-company sector there are several casualties. Still, with London's rally in an advanced stage, interest in the young companies that populate the USM is running high.

Signs abound that the USM, which suffered some embarrassing moments after its creation in 1980, is shedding its unruly image. Turnover in shares is on the rise, as are new issues. Institutional investors have also become bigger players, so much so that private investors have complained of being squeezed out. Also important is the new attention that the market is receiving from the big brokerages.

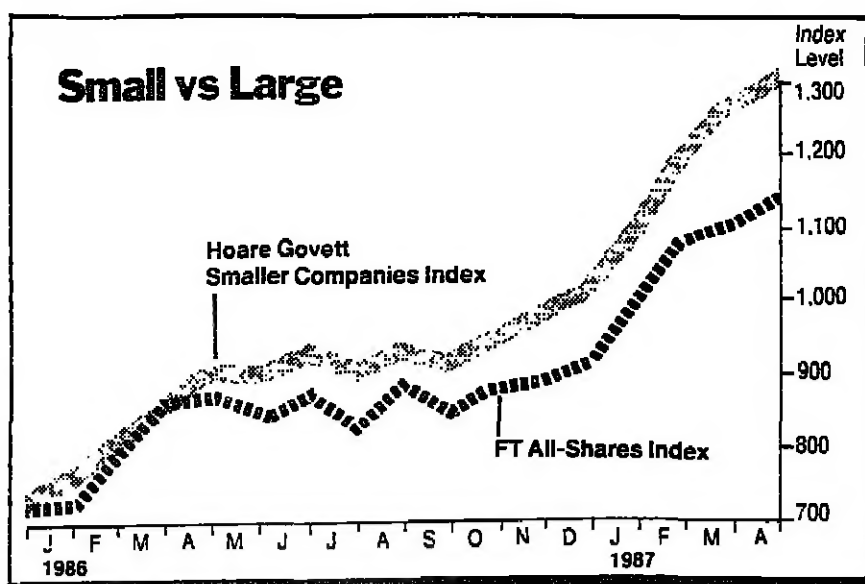
A study published last November by London stockbrokers James Capel & Co. argued that increases in earnings of the companies listed on the junior exchange have outpaced increases on the main stock exchange and have not yet been fully reflected in USM prices.

The conclusion still stands, says Neil Blackley, smaller companies analyst at Capel: "Now is a very good time to invest in smaller companies, provided the portfolio is diversified."

A good spread of different companies is needed because these smaller stocks are more volatile. For small stocks, a diversified portfolio would mean "at least twenty companies, in more than one sector," he says.

Further evidence of the rising interest in this sector came with the introduction by the brokerage Hoare Govett of a small-company index. About 12 percent of the more than 1,300 issues tracked in the extended version of the Hoare Govett Small Companies Index are USM stocks. In the first four months of this year, the Small Companies Index rose by 30.6 percent, compared with 23.9 percent for the FT All-Share Index for the main London Stock Exchange.

James Henderson, smaller companies specialist with Henderson Administration, which manages £7.4 billion, is typical of the institutional investors who have become USM fans.



He went into JS Pathology at the beginning, and still holds the stock.

"I've visited many USM companies," he said, "and I've often been quite impressed with the enthusiasm, drive, and management skill of these smaller companies."

But Mr. Henderson's experience shows that even professionals can latch onto problem shares. He cites an electrical equipment company, Godwin Warren, which he bought at 170 pence, and recently sold at 110, after an acquisition the firm made went badly wrong.

Part of the risk, he says, is that despite the rise in interest among the big brokerages, there is still far less information available on these smaller companies than on the big names. "The lesson," he says, "is that you have to monitor the USM companies closely, and often that means you have to do the research yourself because for many of these firms there is nobody in the City doing regular research."

Mr. Blackley says investors should look for



Analyzing blood samples at JS Pathology.

investment firms with analysts who do detailed research on the companies, rather than simply follow the news. Above all, investors should pay close attention to the quality of a company's management.

"Young companies often don't have complete managements. They may lack a group finance director, or somebody responsible for strategic management," he says.

A poor survival rate among the traded companies plagued the USM in its initial years. The junior market became a magnet for high-risk oil exploration ventures and computer-oriented electronics firms. Many of these companies slid into failure in the mid-1980s.

Before last fall's Big Bang, there were fears that the market would fade away for lack of interest as brokerages concentrated their efforts on the larger, more actively traded issues. The small amounts of shares available for trading in many USM issues had always provoked anxiety about the market's liquidity. It still is difficult to acquire shares in some popular companies, and many issues trade infrequently.

The liquidity fears appear to have been largely unfounded. More market makers have come into the USM since Big Bang, actually improving liquidity. "From the small investor's point of view, selling a thousand shares of a USM company is no problem," says Alex Lyle, who manages Allied Dunbar's Smaller Companies Unit Trust.

Even so, the greater institutional presence in the market has not been greeted with uniform enthusiasm, especially when it comes to new issues. Before the Big Bang, companies were allowed to obtain a listing even though their initial offer was in the form of a private placing.

Placing became popular for new listings because the method was less expensive for companies than doing a full-fledged public offering, which entails more documentation and advertising. Also, placings put the shares immediately into the hands of favored institutional investors.

After criticism that private placings were limiting small investors' access to new issues, the stock exchange changed the rules so that a broker can place up to 75 percent of the issue, but the remaining 25 percent must go to a second broker.

STRATEGY

A Case of Splitting Shares

THE BOND MARKET MAY have its Strips and Tigers, but it is stocks that boast "primes" and "scores." These are the components of a little understood investment tool that is designed to appeal to both income-oriented investors and speculators betting on higher prices.

These instruments are derived from splitting a share of common stock in two. One part, called the prime, enables the investor to receive dividends and some capital appreciation. The other component, the score, gives the purchaser the right to capital appreciation above a predetermined level, usually after a price rise of about 25 percent.

Primes and scores are created when owners of common stock surrender their shares to trusts that have been established by American Shareowner Service. The invention is the brainchild of A. Joseph Debe, president of American, who secured approval from the Securities and Exchange Commission three years ago.

The trust issues a "unit" for each share that includes a prime and a score. An investor can hold both components or sell them separately. Most are traded on the American Stock Exchange.

For example, an investor who tendered shares in Ford, which was trading at \$93.75 last week, would have received a prime that was trading at \$65.75 and a score quoted at \$29.875. This adds up to \$95.625, almost a two-point premium.

"It offers investors a choice that they never had before," says Emmett J. Harby, vice president and manager of the trusts for Alex Brown & Sons Inc., which is dealer-manager for the trusts.

He notes that conservative investors, who are more interested in preserving capital, are attracted to primes. Those willing to take a significantly higher risk can trade scores. Last year, the share price of Exxon rose 35 percent; Exxon scores rose more than 125 percent.

American investors have been slow to warm to the new instruments, acknowledges Mr. Harby. Investors in Europe and Asia, who are more familiar with trading warrants, have been big players in scores, he says.

Investors must supply at least 100 shares to qualify for a trust. In addition, they pay a fee up to 1.25 percent of the price of the common stock when entering the trust. Still, investors should keep in mind that they would have to pay

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in April.

	Percent Gain	Price May 29		Percent Loss	Price May 29
New York Stock Exchange:					
Compiled by Media General Financial Services. Prices in dollars.					
Harcourt Brace	81	55.25	Tootsie Roll Indus.	54	25.25
Spectra-Physics Inc.	60	36.75	Nord Resources CP	25	14.50
ElectroSpace Systems	48	30.50	First Capital	23	12.75
Knogo Corp.	47	27.50	Claire's Stores Inc.	23	11.00
USPCI Inc.	43	48.50	INC Pharmaceuticals	21	11.13
Burlington Industries	32	75.75	Allegheny Int'l.	20	17.00
Allegheny	32	86.50	Centennial Energy	20	15.68
Emery Air Freight	32	17.50	Patten Corp.	19	16.25
Compaq Computer	30	48.38	Davis Water & Waste	19	10.38
Intermedics Inc.	29	25.88			
American Stock Exchange:					
Compiled by Morgan Stanley Capital International. Prices in pence.					
Barnwell Industries	71	10.50	NVHomes	33	12.00
Howell Industries	47	33.88	Canandaigua Wine	28	17.50
Watso Inc. Class B	46	13.88	Seaboard Corp.	26	124.50
O'Keefe Copper Co.	45	10.50	Home Shopping	23	12.88
Beard Co.	44	16.75	AT&E Corp.	22	21.63
Over the Counter:					
Compiled by Morgan Stanley Capital International. Prices in pence.					
Modulaire Indus.	126	15.25	Zondervan Corp.	43	16.25
Royalair Indus. Inc.	72	20.25	Viratek Inc.	37	11.75
Bonray Drilling Co.	57	22.00	SPI Pharmaceuticals	35	13.00
Spectradyn Inc.	51	43.75	Plasti-Lane Inc.	35	10.25
Community Shares Ltd.	50	12.00	ZZZZ Best Co.	33	10.00
London Stock Exchange:					
Compiled by Morgan Stanley Capital International. Prices in pence.					
Meyer International	20	422	Plessey	11	210
Harrisons Crosfield	19	585	De Beers	9	694
Land Securities	18	814	British Aerospace	9	592
Freemans	18	523	Telephone Rentals	8	233
Laura Ashley	18	207	Saatchi and Saatchi	7	603
BET	18	289	United Newspapers	6	450
FR Group	17	400	British Printing	6	297
British Gas	17	115	De La Rue	5	232
Mercury Int'l.	17	407	United Scientific	5	246
General Electric	17	230	Turner and Newall		
Tokyo Stock Exchange:					
Compiled by Morgan Stanley Capital International. Prices in yen.					
Shokusan Jutaku Sogo	83	298	Kyushu Electric	13	2,610
Advantest	50	3,850	Tokyo SAS	13	1,250
Denki Kagaku Kogyo	50	735	Chugoku Electric	12	2,860
Nissin Steel	49	439	Tohoku Electric	12	2,850
Sekisui Chemical	47	1,370	Hokkaido Electric	12	2,500
Kyushu Matsushita	41	2,470	Shimizu Construction	12	1,030
Nippon Light Metal	39	485	Nikko Securities	11	2,570
Hirose Electric	39	3,200	Yamaichi Securities	11	2,510
Mitsuba Homes	39	2,800	Nomura Securities	11	4,990
Sekisui House	36	2,480	Daiwa Securities	10	3,100

about 60 cents a share to tender Ford stock and around 50 cents for Dow. There is no charge to redeem units for common stock. All trusts will expire at the end of five years.

So far, 20 trusts have been created, each specializing in the shares of a single blue-chip company, such as Ford, General Motors, IBM and Bristol Myers.

Mr. Harby says eight more will

be introduced before the end of June. A special exemption, under which there is no capital gains tax on exchanging stocks for primes and scores, will expire in August. □

John Meehan

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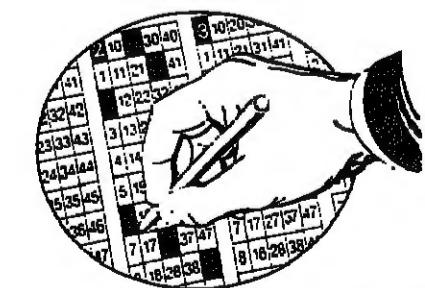
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5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45
6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46
7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47
8 18 28 38 48	8 18 28 38 48	8 18 28 38 48	8 18 28 38 48	8 18 28 38 48	8 18 28 38 48
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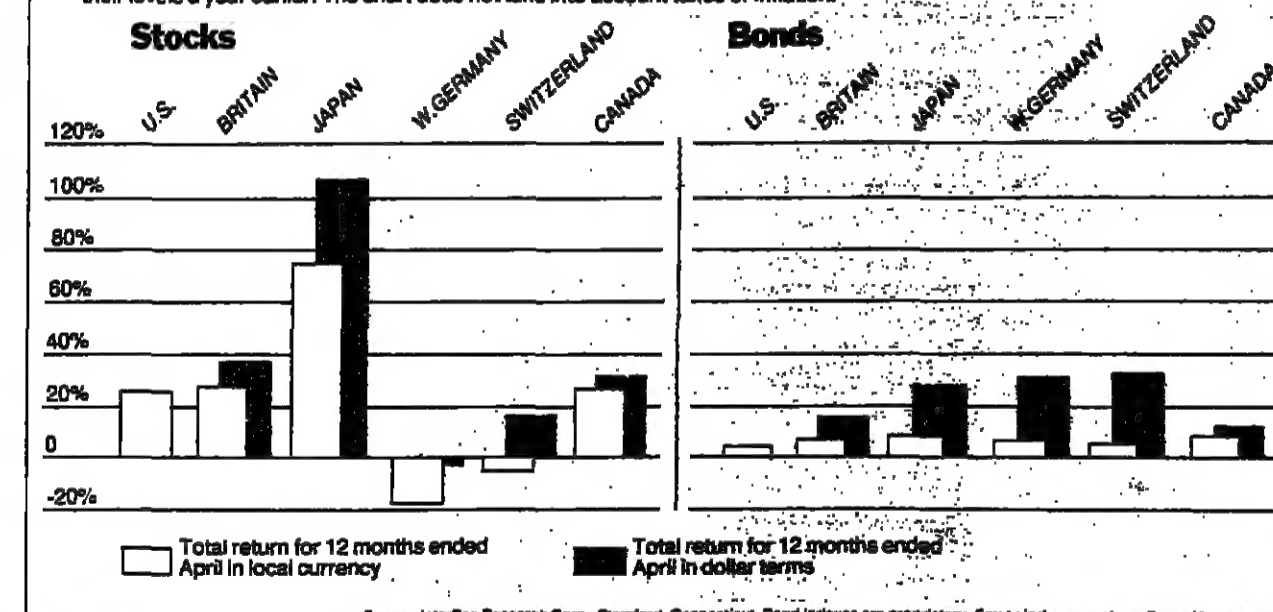
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FUNDS

A Comeback for the Funds of Funds

By Anise C. Wallace

CONSUMERS IN AN affluent society face an abundance of choices, sometimes too many. Too many telephone companies, too many shades of pink lipstick, too many mutual funds.

Mutual funds have proliferated to such an extent that some people are seeking guidance in choosing among them. That has spelled opportunity for investment organizations in the United States. In the past two years, a number of firms have revived the 1960s fund-of-funds approach, in which a money manager invests in a variety of mutual funds, rather than directly in stocks or bonds.

In addition to mutual funds, some trust account managers and private partnerships have adopted this approach. A no-load mutual fund wooing the small investor might require a minimum investment as low as \$250, while a private partnership with a wealthy clientele might seek a minimum of \$1 million or more.

Investors pay a price to have a mutual fund to pick other funds for them. Many of these funds tend to produce below-average investment results. And some funds have layers of management fees, which make them more expensive than direct investments in mutual funds.

The Vanguard Group was one of the first organizations to revive

the fund-of-funds concept when it offered its STAR Fund, which invests in shares of Vanguard's other mutual funds. In 1983, Vanguard said its customers had become confused trying to choose from more than 40 mutual funds. "We wanted to simplify the choice," says Jeremy G. Duffield, senior vice president.

Similarly, executives at T. Rowe Price Associates decided to start two such funds after the number of their mutual funds increased to 24, up from 10 in 1981. The two new funds, which are still in registration with the Securities and Exchange Commission, will invest in shares of Price's growth-stock funds and income-oriented funds.

Individual investors who do not want to be restricted to the mutual funds offered by one organization have other choices. Scudder Fund Distributors recently began offering investors the Rodney Square Multi-Manager Fund, Rodney Square Management Corp. of Wilmington, Delaware, manages the fund, which includes three separate stock portfolios managed, in turn, by nine investment management firms.

In addition, the FundTrust series, distributed by Fidelity Investments, offers funds that invest in income funds, growth-stock funds, aggressive growth funds, and growth income funds. The Republic National Bank of New York, the investment adviser, invests each fund in shares of 10 to 12 other mutual funds.

Too much diversification can be a bad thing. The more diversified a fund is, the closer it comes to matching the average performance of all stocks. After management fees and stock trading commissions are subtracted, the performance can easily slip below the average. "By definition, they are overdiversified," says Michael Lipper, president of Lipper Analytical Services, which tracks fund performance.

THE PERFORMANCE OF Vanguard's STAR Fund, for instance, has been "reasonable but not stellar," Mr. Duffield acknowledges. "We are not promising spectacular performance, just good steady performance over the long term."

The Vanguard STAR fund advanced 9.26 percent during the 12 months ended May 28, according to Lipper. In comparison, the average balanced mutual fund gained 12.51 percent in the same period and the stock market, as measured by the Standard & Poor's 500-stock index, was up 17.25 percent. Similarly, the FundTrust funds also underperformed their respective sectors.

Still, Michael Hirsch, senior vice president of Republic, argues that these funds will fare better in a down market or over long market cycles.

But there remains the thorny issue of management fees. While Vanguard and T. Rowe Price do not charge an additional fee on

top of the underlying mutual funds fees, some others do.

The fund-of-funds approach is being promised to big investors, too. There has been a proliferation of private partnerships that invest in stocks, bonds, options, futures and other financial instruments, such as those managed by Cumberland Partners and New York investors George Soros, John Oppenheim, Martin Perelman and Julian Robertson.

Typically, these aggressively managed partnerships, or "hedge funds," have been available only to wealthy individuals. Their excellent results—compound annual returns of twice the Standard & Poor's 500 index, according to a study of 75 partnerships by Tremont Partners—have made them attractive investments for a number of new investors. But the hedge funds usually charge a fee that can be as high as 20 percent of the profits.

Firms such as Tremont in Stamford, Connecticut, and Stolper and Co. in San Diego are setting up partnerships that invest in seven to 10 other partnerships. Minimum investments range from \$250,000 to \$1 million. For a fee, Tremont and Stolper select the hedge funds, monitor their performance and provide the portfolio accounting for investors. Stolper's president, Michael Stolper, estimated that as many as 25 of these partnerships of partnerships might be in formation.

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New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	End week	Terms
FLOATING RATE NOTES						
Blair Athol Finance	\$110	1994	0.15	100.15	100.00	Over 6-month Libor. Callable at par in 1988. Fees 0.25%. Denominations \$50,000. Initial tranche of a \$141 million offering.
FIXED-COUPON						
Coastal	\$60	1992	11%	100%	99.63	Noncallable. Fees 1.5%. Increased from \$30 million.
Mercedes-Benz Credit	\$100	1992	8%	100%	98.15	Noncallable. Fees 1.5%.
National Home Loans	\$100	1992	8%	100%	—	Noncallable. Fees 1.5%.
RJR Nabisco	\$100	1994	8%	101%	108.00	Redeemable at par in 1991. Fees 1.5%.
Regus Int'l Finance	DM 200	1997	6%	100	97.50	Noncallable. Fees 2.5%.
Wells Int'l Finance	DM 150	1994	6%	100	98.70	Noncallable. Fees 2.5%.
Oesterreichische Kontrollbank	DM 200	1992	5	100	99.30	Noncallable. Fees 2%.
Asian Development Bank	\$50	1997	9%	101%	99.38	Noncallable. Fees 2%.
World Bank	\$200	2007	9%	98%	96.55	Noncallable. Fees 2.5%.
Rabobank Nederland	Dr 200	1992	6	100%	—	Noncallable private placement.
Japan Highway Public Corp.	¥120	1994	7%	101%	99.25	Noncallable. Fees 1.5%.
Kamira Oy	ECU 100	1992	8	101	99.50	Noncallable. Fees 1.5%.
Swedish Export Credit	ECU 40	1992	7%	101%	—	Noncallable. Floating fund to start in 1988. Fees 1.5%. Denominations \$50,000.
Avco Financial Services (Canada)	CS 75	1992	10%	100	98.00	Noncallable. Fees 1.5%.
Die Erste Oesterreichische Spar-Casse	CS 50	1992	9%	101%	99.75	Noncallable. Fees 1.5%.
BP Capital	Aus 100	1992	13%	101%	99.75	Noncallable. Fees 2%.
Banque Nationale de Paris (Amsterdam)	Aus 65	1991	14	101%	99.50	Noncallable. Fees 1.5%.
Fiat Finance & Trade	Aus 50	1990	14%	101%	99.13	Noncallable. Fees 1.5%.
Landesbank Stuttgart (London)	Aus 50	1992	13%	101%	100.13	Noncallable. Fees 2%.
Unilever Capital	NGS 65	1989	18%	101%	99.88	Noncallable. Fees 1.5%.
Canada	¥80,000	1992	4%	101%	99.63	Noncallable. Fees 1.5%.
DFC Finance Overseas	¥10,000	1992	8%	101%	—	Coupon payable in Australian dollars. Redemption at maturity will be 40% in yen and 60% in dollars. Noncallable. Fees 1.5%. Denominations 100 million yen.
Sweden	¥50,000	1992	4%	101%	99.50	Noncallable. Fees 1.5%.
EQUITY-LINKED						
Asia	\$50	1992	1%	100	98.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 600 yen per share and at 143.75 yen per dollar. Fees 2.5%.
Canon Sales	\$100	1992	open	100	99.00	Coupon indicated at 1.65%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 2.5% premium. Fees 2.5%. Terms to be set June 9.
Daichi	\$100	1992	1%	100	99.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 2,809 yen per share and at 145.00 yen per dollar. Fees 2.5%.
Daiwa Danchi	\$100	1992	open	100	103.00	Coupon indicated at 1.65%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 2.5% premium. Fees 2.5%. Terms to be set June 12.
Daiwa House Industry	\$400	1992	1%	100	107.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 2,804 yen per share and at 145.00 yen per dollar. Fees 2.5%. Increased from \$300 million.
Eagle Industry	\$17	1992	1%	100	92.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 729 yen per share and at 146.20 yen per dollar. Fees 2.5%.
Ericsson	\$60	2002	6%	100	98.50	Convertible at 336 kroner per share and at 6.374 kroner per dollar.
Fukuoka Sogo Bank	\$50	2002	1%	100.00	102.25	Semiannual coupon indicated at 1.65%. Convertible at 123 yen per share and at 145.25 yen per dollar. Fees 2.5%.
Hokuriku Bank	\$100	2002	open	100	102.00	Semiannual coupon indicated at 1.65%. Convertible at an expected 2.5% premium. Fees 2.5%. Terms to be set June 10.
Hyogo Sogo Bank	\$100	2002	1%	100	—	Semiannual coupon indicated at 1.229 yen per share and at 145.25 yen per dollar. Fees 2.5%.
Mitsubishi Chemical Industries	\$200	1992	open	100	105.25	Coupon indicated at 1.65%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 2.5% premium. Fees 2.5%. Terms to be set June 10.
Mitsubishi Petrochemical	\$200	1992	1%	100	104.00	Noncallable. Each \$10,000 note with one warrant exercisable into company's shares at 815 yen per share and at 145.25 yen per dollar. Fees 2.5%. Increased from \$150 million.
Mitsubishi Plastics Industries	\$50	1992	1%	100	100.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 713 yen per share and at 145.35 yen per dollar. Fees 2.5%.
Sekisui Plastics	\$40	1992	1%	100	102.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 851 yen per share and at 145.25 yen per dollar. Fees 2.5%.
Shinetsu Chemical	\$100	1992	1%	100	110.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1,917 yen per share and at 143.40 yen per dollar. Fees 2.5%.
Shiroki	\$35	1992	1%	100	98.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 615 yen per share and at 145.35 yen per dollar. Fees 2.5%.
Takara Standard	\$50	1992	1%	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 910 yen per share and at 142.75 yen per dollar. Fees 2.5%.
Tobu Railway	\$100	1992	1%	100	103.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1,210 yen per share and at 145.25 yen per dollar. Fees 2.5%.
Toei	\$50	1992	1%	100	102.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1,023 yen per share and at 146.20 yen per dollar. Fees 2.5%.
Tokyo Rope Manufacturing	\$50	1992	2	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 508 yen per share and at 146.20 yen per dollar. Fees 2.5%.
Yokohama Printing	\$300	1992	1%	100	102.25	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1,804 yen per share and at 143.75 yen per dollar. Fees 2.5%.
Yoyo Sash	\$100	1992	open	100	101.00	Coupon indicated at 1.65%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 2.5% premium. Fees 2.5%. Terms to be set June 10.
Victor Co. of Japan	\$100	1992	open	100	101.00	Coupon indicated at 1.65%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 2.5% premium. Fees 2.5%. Terms to be set June 9.
Victor Co. of Japan	\$50	1994	open	100	100.00	Coupon indicated at 2.5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 2.5% premium. Fees 2.5%. Terms to be set June 9.
Yakult Honsha	\$80	1992	1%	100	101.75	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 3,619 yen per share and at 145.25 yen per dollar. Fees 2.5%.
Goodman Fielder U.K.	£85	1997	5	100	100.75	Redeemable at 122 in 1992 to yield 8.54%. Convertible at 302.5 pence per share, a 2.5% premium, and at Aus\$2.75 per pound. Fees 2.5%.
The Dee Corp.	£66	2002	5	100	—	Redeemable at 120 in 1992 to yield 8.54%. Convertible at 302.5 pence per share, a 2.5% premium, and at Aus\$2.75 per pound. Fees 2.5%.

BONDS: Nomura Stumbles

(Continued from first finance page)

ties firm and unwilling to offend one by giving business to the other. Companies are opting to divide their business.

Minebea separated its issue by markets while JVC split its by maturity. It appointed Nomura to market \$100 million of five-year equity warrants bonds with an indicated coupon of 1% percent and Yamaichi to market \$30 million of seven-year bonds with an indicated coupon of 2% percent.

Although JVC depends on exports for about 65 percent of its turnover, making it vulnerable to currency change, both portions were quoted at issue price.

The most popular shares are those companies that are least exposed to exports and most likely to benefit from the 6-trillion yen supplementary budget recently proposed by the government.

Included in the latter category are land holdings — which made the issues from Daiwa Danchi, Daiwa House Industry and Tobu Railway popular. Tobu Railway, which owns the railway that could be used for redevelopment, cut its coupon to 1% percent from the indicated 1% percent and still ended the week trading at a premium of 3% percent over the offered price.

Sekisui Plastics cut its coupon to 1% from the indicated 1% percent and finished the week with a 2 percent gain.

Mitsubishi Petrochemical increased its issue to \$200 million from the \$150 million indicated, cut the coupon to 1% percent — matching the lowest yet seen — and ended the week with a 4 percent premium.

Coupons were also reduced for Fukuoka Sogo Bank and Hyogo Sogo Bank, from the indicated 1% to 1% percent, and both issues finished the week with a 2% percent premium.

The ability of Tokyo stock prices to continue to set weekly new highs, despite the adverse impact from the yen's appreciation, is a source of concern for foreign investors. The gain, analysts agree, is fueled by the tremendous liquidity resulting from the huge trade surplus.

However, a research report from UBS-Phillips & Drew warns that there could be a "fall in the fall." Its May report on Japan said that financing of the supplemental budget should drain liquidity. "This, coupled with political worries over [Prime Minister Yasuhiro] Nakasone's succession and the delayed effect of tightened margin restrictions, may prove too much for the market to absorb," it said.

Companies outside Japan were also active in the equity-related market. Dee Corp., a British retail chain, increased its offer to \$66 million from the indicated \$60 million. Investors have the option of requesting redemption after five years at a premium price of 120, giving them an effective return on their money of 8% percent if the share price falls to rise as expected.

Goodman Fielder, an Australian food chain, sold \$85 million of convertible bonds and ended the week just over par. But L.M. Ericsson of Sweden, the telecommunications company, did not generate wild enthusiasm and finished the week at 98%.

Jardine Strategic Holdings Ltd., incorporated in Bermuda last year and whose principal holdings include 26.5 percent of Jardine Matheson, 25.7 percent of Hongkong Land and 34.9 percent of Mandarin Oriental, is offering 200,000 cumulative preference shares bearing an annual dividend of 6.5 percent and convertible into ordinary shares traded in Hong Kong at a premium of 13.8 percent.

The company is using preference shares rather than a convertible bond as the annual dividend is tax deductible whereas the interest on a bond would not be.

The shareholders of MBIA Inc., which insures municipal bonds, are selling 15 percent of their holdings, or 5.5 million shares of which 1 million are being offered internationally. The offering price is expected to be set between \$22 and \$25 per share.

In the straight bond market, which by week's end had largely recovered from sell-off provoked by the announced resignation of Federal Reserve Board Chairman Paul A. Volcker, there was little buying.

In fact, selling was the bid — particularly of the RJR Nabisco issue. Launched just before the news on Mr. Volcker, the paper was sold massively short by dealers who were convinced the market would be headed dramatically lower (as it was at the time) and that Bank of America, a rare lead manager, would not control the issue.

Surprise on both fronts. By week's end, Bank of America was engaged in squeezing the short sellers and the price of the paper was 108 bid-110 offered.

In the Deutsche mark sector, bankers believe the 5-percent coupon on the Austrian Kontrollbank's 200-million-DM offering of five-year notes will be a low unlikely to be breached. Investors prefer the short maturity, but the pricing was tight, barely matching the yield available on domestic bank paper even when the full 2 percent underwriting fees were included.

U.S. Consumer Rates

Rate	June 5
1 Year	7.75%
3 Month	6.75%
6 Month	6.75%
1 Year	6.75%
2 Year	6.75%
3 Year	6.75%
5 Year	6.75%
10 Year	6.75%

Paris Options Market Has Big Potential

But as Opening Approaches, Inexperienced Brokers Scramble for Expertise

By Jacques Neher
Special to the Herald Tribune

PARIS — The Chicago Board Options Exchange may not be a hot tourist attraction, but it has become a mecca for French stockbrokers in recent weeks.

Scores of Paris brokers have been investing their time and money in Chicago to witness how an options market operates. In preparation for the debut of options trading at the Paris Bourse later this month.

But as excited as they are about the potential for their own options market, set to start with contracts based on six major French stocks on June 23, none holds any illusions about ever rivaling the raucous Chicago exchange, where daily volume often exceeds a half million contracts.

"The Paris options market won't ever be that big, but it can still be good," said Jean-Paul Raynaud, manager of options for the Paris-based Borschier broker, who has just returned with 30 colleagues from a week-long tour of the CBOE.

Some outsiders agree that the Paris market could be a hit by European standards.

"I believe the French options market will be a huge success," said Patrick de Gentile-Williams, manager of the options department at James Capel & Co., a London broker. "Within 12 months, I think it could be as big as the U.K. exchange."

London's market, created in 1978, now averages about 50,000 contracts a day. Volume at Amsterdam's European Options Exchange, also created in 1978, recently has averaged around 40,000 contracts a day.

An option is a contract, purchased for a premium, that affords its owner the right to buy a block of shares of a stock at a specified price during a specified period. An options market pro-

vides a tool for investors to cover their portfolio investments as well as to speculate.

The Paris options market will begin with contracts based on six stocks, but may be expanded to 15 or 20 stocks next year.

The initial six are: Elf-Aquitaine, oil and chemicals; Lafarge Cuppee, building materials; Compagnie Financière Paribas, an investment bank that was re-

in 1978, the inexperience of traders contributed to the market's slow growth.

"The lack of expertise could be a problem for the French, especially their lack of market-making experience," Mr. Pesenti said.

Options buyers and sellers often depend on market makers, or floor specialists, to take positions in the contracts in order to establish prices and provide liquidity.

"The people I use I will train myself. They will know what they are doing from day one. As for the others, I'll be delighted if they don't know what they're doing."

— Patrick de Gentile-Williams, manager of options at James Capel & Co., London

cently denationalized; Peugeot SA, autos; Thomson-CSF, electronics; and Compagnie du Midi, diversified investments.

Also anticipated early next year is the debut of an options contract based on a new index of 40 continuously traded French stocks. Brokers predict that this index option will bring many new players into the market.

But it is debatable whether the market will be an immediate success for the Paris Bourse.

Some brokers suggest that, while an options market is in demand by institutional investors seeking to cover their exposures in French equities, the lack of experience on the part of Paris brokers could retard the market's development.

"They may have a problem finding their feet," said Steve Pesenti, an options dealer with Phillips & Drew in London.

He noted that when stock options were introduced in London

Jean-Pierre Pinart, co-manager of a newly created options department at the Paris brokerage Ferri-Ferri-Germe, acknowledged that "market-making is a new term in France."

"It's true that the majority of people in Paris are not experienced in this market," he said. "We have a lot to learn."

But Mr. Raynaud said, "Any one is capable of teaching himself. We'll get experience rapidly and build on our mistakes."

To get market experience, Paris brokers have carried out international exchanges in recent months. As well as Chicago, they have visited options markets in New York, London, Montreal and Amsterdam, while options specialists from these markets have been hired as consultants to help the Paris brokers establish options departments.

"I spent a few weeks in Montreal with 10 or 12 other Paris brokers, and my colleague just

went to the States for the same reason," said Mr. Pinart.

"The 12 biggest brokers have all sent their people abroad," he said. "We are ready for this market."

Foreign brokers expecting to do business on the Paris options market are making sure their French counterparts, who will execute the trades on their behalf, will be up to speed.

"The people I use I will train myself," said Mr. de Gentile-Williams. He declined to name the Paris broker his company is working with.

"They will know what they are doing from day one," he said. "As for the others, I'll be delighted if they don't know what they're doing."

Mr. de Gentile-Williams anticipated doing "a substantial amount of business" for his British clients on the Paris market. He predicted that international interest would be "enormous."

About one fourth of the capitalization of the Paris Bourse is held by non-French investors.

Brokers acknowledge they will have a selling job ahead of them to attract their individual clients to the options market.

"The banks and institutions are very optimistic about this market, but they will mostly be options sellers," Mr. Pinart said. "We have to find some option buyers."

The target market will be individual investors with substantial holdings.

"We're not interested in the guy who just got into the market by buying a few shares of a denationalized company," one broker said.

The Paris options market is being organized in a similar fashion to the U.S. markets. Contracts will be written only in units of 100 shares, with contract lengths of three, six or nine months.

Japanese Banks Open Tap Programs

By Carl Gewirtz
International Herald Tribune

PARIS — The London branches of Mitsubishi Trust & Banking Corp. and Fuji Bank last week became the first Japanese banks to arrange multitranchise tap programs for issuing certificates of deposit.

Both have appointed Merrill Lynch to arrange programs of \$500 million each, or the equivalent in other currencies. Using the tap system the borrower has total flexibility as to the timing and amount of paper offered to the market.

Under the programs, the banks will be able to issue paper in matu-

frances the only foreign banks eligible to join the syndicate are those that have operations in France.

This limits the participation by Japanese banks to no more than three. However, participation in the tender panels bidding for short-term paper denominated in currencies other than francs would be open to any banks.

Hachette will pay an annual facility fee of 7% basis points. To draw on the credit, the company will pay 10 basis points over Libor for dollars or other foreign currencies or 20 basis points over the Paris interbank rate for drawings in francs. If more than half the credit is drawn, there will be an added fee of five basis points.

Front-end fees paid to underwriters range up to 7 basis points for commitments of \$15 million.

In the syndicated credit sector, CNP, Portugal's state-owned petrochemical company, is refinancing \$250 million of existing debt at lower interest and setting a new eight-year maturity. Interest on the existing debt ranged from 7% to 10% point over Libor.

Interest on the current transaction is set at 12% basis points over Libor for the first four years and 15 basis points thereafter. To assign bankers' concern about the health of the company, the government has issued a letter of support indicating it will assume responsibility for all of the company's debts.

CNP is paying more than the government itself, which last paid a split 10-to-12% basis points over Libor.

INTERNATIONAL CREDIT

rities from one to five years. Unlike traditional bank-issued CDs, these will be listed (on the Luxembourg stock exchange) and will pay interest semiannually rather than annually.

Merrill Lynch said it would maintain an active market in the paper at narrow bid-offered spreads, ranging from five basis points, or .05 percent, on one-year paper to 25 basis points on five-year CDs.

The minimum initial issue size for each tranche is \$50 million and each tranche may be increased up to a maximum ceiling level, which is announced beforehand. Subsequent taps, bearing the same coupon and maturity date, may be issued in minimum amounts of \$1 million and would be fully fungible with other CDs of that maturity.

Reed International has appointed National Westminster to arrange a \$250 million, seven-year multipoint facility. The company will pay an annual facility fee of 6% basis points for the amount immediately available. The facility fee on the reserve amount is 3% basis points for the first five years and 4% basis points for the final two years.

Drawings on the credit will cost Reed 10 basis points over the London interbank offered rate and an additional 2% basis points will be charged if more than half the facility is drawn.

Underwriters are being offered a front-end fee of 6 basis points. Hachette, the French publisher, is seeking a \$150-million, five-year multipoint facility but because this provides for drawing domestic

Treasury Bonds

Maturity	Bid	Close	Ask	Yield	Wk. ago
10/15/87	103.20	103.20	103.20	7.65	7.67
11/15/87	103.20	103.20	103.20	7.65	7.67
12/15/87	103.20	103.20	103.20	7.65	7.67
1/15/88	103.20	103.20	103.20	7.65	7.67
2/15/88	103.20	103.20	103.20	7.65	7.67
3/15/88	103.20	103.20	103.20	7.65	7.67
4/15/88	103.20	103.20	103.20	7.65	7.67
5/15/88	103.20	103.20	103.20	7.65	7.67
6/15/88	103.20	103.20	103.20	7.65	7.67
7/15/88	103.20	103.20	103.20	7.65	7.67
8/15/88	103.20	103.20	103.20	7.65	7.

DTC Consolidated trading for week ended Friday

1950

as of close of trading

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THE STATE OF NEW YORK

Figures as of close of trading Friday.

	Option & price	Colls	Puts	Option & price	Colls
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SPORTS

SPORTS BRIEFS

2 Women's World Track Records Bettered

MOSCOW (Combined Dispatches) — Natalia Lisovskaya of the Soviet Union broke her own world shot put record with a throw of 22.60 meters (74 feet 7 inches) at a track meet here Sunday. Lisovskaya, 24, set the record of 22.53 meters in the Black Sea resort of Sochi on May 27, 1984.

On Saturday, in Baton Rouge, Louisiana, Sheila Hudson set a world record of 13.78 meters in the women's triple jump at the U.S. college outdoor track and field championships. Her effort surpassed the 13.73 set last month by Flora Hacinth of the U.S. Virgin Islands. (A.P.P.)

Yoo Retains WBA Junior Flyweight Crown

SEOUL (A.P.) — South Korean Yoo Myong-woo stopped Benedicto Murillo of Panama in the 15th round Sunday to retain his World Boxing Association junior flyweight title.

The fight ended at 1:29 of the final round when Yoo had Murillo helpless against the ropes. It was the 24th victory against no defeats and one draw for the 22-year-old Yoo, who won the crown in December 1985. Murillo, 27, is 12-3-3.

Kite Has 1-Shot Lead in Kemper Open Golf

POTOMAC, Maryland (UPI) — Tom Kite, seeking his first victory of 1987, survived three straight bogeys on the back nine to take a one-stroke lead over Chris Perry after Saturday's third round of the Kemper Open golf tournament.

Kite, who has won at least once in each of the previous six years, shot a 68 for a 54-hole total of 132-under-par 201. Perry, the son of former major league baseball pitcher Jim Perry, led Kite by one stroke after two rounds but on Saturday shot 70/202. Perry, 25, has never won on the PGA tour.

George Burns (a 68) was at 204; first-round leaders Greg Norman (68) and Scott Hoch (72) were at 205, with Dave Barr, Larry Mize and Howard Twitty at 206.

Solution to Friday's Puzzle

TIME WART MILEAN
UNAU ENOW ARECA
NARU SEASTAINS
TINH TWI GASKET
SEARS NCO
NEAR GOT SPEC
CIT TIMOR CURIQ
ACOMEDYOFERRORS
TONED EUCUE CEE
ONYX ARF KOFU
ISE NELLIS
GOSHEN LPS TEAL
UNBULLEN TINE
NEURO IOTA LUCE
ARGON SWOP ESEK

Quotable

• Chi Chi Rodriguez, leading money winner on the seniors golf tour: "If I'd putted like this years ago, I'd own a jet instead of a Toyota." (L47)

• Moses Malone of the Washington Bullets, on whether, when he retires, he would have a farewell tour like that of Julius Erving: "Now, I'm going to retire by telephone and ask them to mail in the gifts." (L47)

• Former umpire Ron Luciano, on why he preferred to work the bases: "I couldn't tell the pitches. I didn't know the difference between a slider and a curve. I knew a fastball because it came in rapidly." (L47)

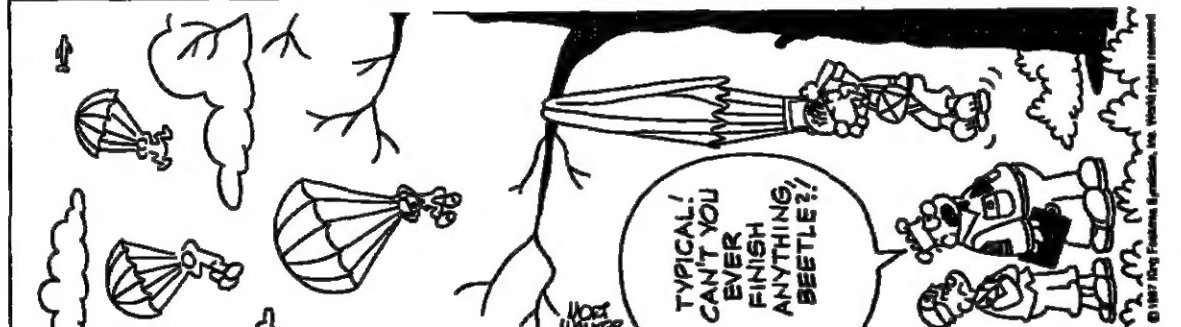
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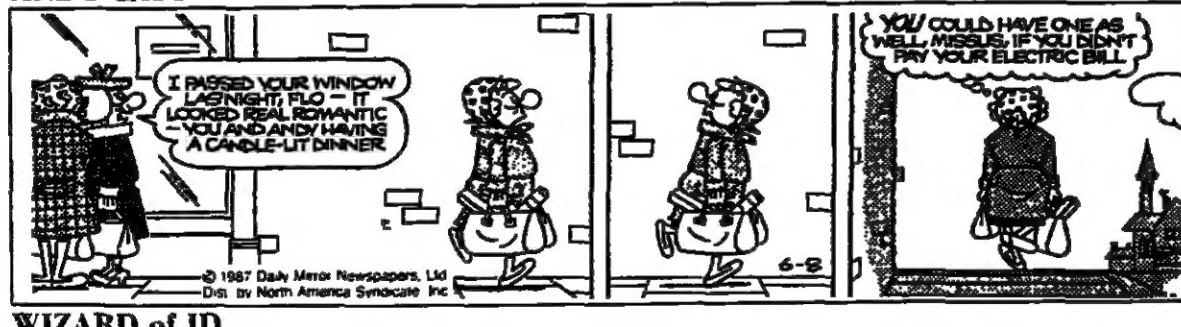
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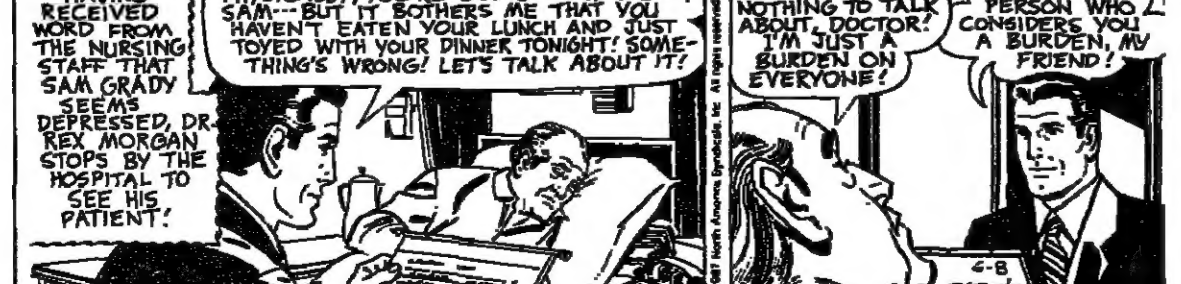
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WIZARD OF ID



REX MORGAN



GARFIELD



Bet Twice Wins Belmont as Alysheba Finishes 4th

By Steven Crist
New York Times Service

ELMONT, New York — Bet Twice, a narrow runner-up in the Kentucky Derby and the Preakness, reversed those losses with a vengeance in Saturday's 119th running of the Belmont Stakes to deprive Alysheba of racing's Triple Crown.

Under Craig Perret, Bet Twice took the lead before traveling a mile (1,600 meters) and stretched it into a 14-length runaway over Cryptoclearance, with Gulch finishing a nose back in third place.

Alysheba, who had won the Derby by three-quarters of a length and the Preakness by half a length over Bet Twice, finished fourth as the 4-to-5 favorite, missing a \$5 million payday by a huge margin and a \$1 million bonus by inches.

Alysheba, who would have earned purses and bonuses totaling \$5 million had he become the first Triple Crown winner since Affirmed in 1978, was steadied in traffic turning for home, but the incident was minor and did not affect his chances of victory.



Craig Perret, aboard Bet Twice, glancing back at the top of the stretch in the Belmont Stakes.

Bet Twice, trained by Jimmy Roll and the 8-to-1 fifth choice, covered the mile and a half in 2:28-1/5. The son of the Nijinsky II stallion Sportin' Life and the Dusty Canyon mare Golden Dust became the first Derby and Preakness runner-up to win the Belmont since Arts and Letters in 1969.

Bet Twice earned \$329,160 from the \$348,600 Belmont purse, and also narrowly won the inaugural Triple Crown bonus of \$1 million, raising his career earnings to more than \$2.3 million. Bet Twice ended the series with 11 points toward the bonus, which is figured on a 5-3-1 point system for the first three finishers in each race. Had Alysheba (who earned 10 points winning the first two legs) finished second, he would have won the bonus; had he

been third he would have earned 11 points and split the \$1 million with Bet Twice.

Bet Twice may have improved a bit, but Alysheba clearly ran well below his capabilities. Medication may have been a factor. Alysheba won the Derby and Preakness with the aid of Lasix, an anti-bleeding medication that is widely believed to improve overall performance. Lasix is not permitted in New York.

Jack Van Berg, who trains Alysheba, said the colt had used Lasix only as a precautionary follow-up to throat surgery performed in March and did not bleed Saturday. Alysheba finished first in three of four career starts with Lasix but

lost eight of nine starts without it. "We were hoping Alysheba wouldn't be at his best today," said Perret. "He obviously wasn't, for whatever reason. He beat us fair and square the last two times."

Gone West, breaking from post 1, went to the lead as expected but soon had company. Avies Copy was just 1/2 lengths behind him after a first quarter-mile in 24-2/5 seconds, with Bet Twice third and Alysheba fourth on the rail. Coming out of the clubhouse turn, Avies Copy took the lead, as Gone West settled back into second.

Perret made his move after Avies Copy had led through six furlongs in 1:13-2/5. Bet Twice surged to the lead as Avies Copy and Gone

West offered no resistance and began to fade. Alysheba began to move up a bit on the inside, although the leader was pulling away from the field.

Alysheba made a mild bid on the turn but soon ran into traffic as firing Gone West blocked him on the inside and Cryptoclearance rushed up on the outside. Alysheba checked briefly as he ran up on Gone West's heels, losing some momentum, but the race was long lost.

"It might have cost us second money, but we weren't going to beat the winner," Van Berg said. "If one guy won every race, there'd be no racing. This is a sport, and you've got to be a sport when you lose."

WORLD STOCKS IN REVIEW / Via Agence France-Presse

Amsterdam

The Amsterdam stock exchange showed signs of improvement last week, but trading was quiet because of uncertainty over the economic climate, inflation and interest rates.

The ANP-CBS general index was unchanged on the week, at 287, with total turnover coming to 4.95 billion guilders, against 3.37 billion the previous week.

Unilever and Royal Dutch/Shell shares posted substantial gains on Monday, but lost ground Tuesday before leading modest rallies on Wednesday and Thursday.

Amsterdam stockbrokers Kempen & Co. believe the market will be somewhat more active this week, with firmer prices.

Frankfurt

The Frankfurt stock market suffered from the dollar's vagaries last week, failing to add to the previous week's gains.

Investors were reserved, preferring to wait for the results of the Venice summit meeting of major non-Communist industrial countries.

The Commerzbank index lost 9.7 points on the week, to finish at 1,749.9.

Volume of trading came to 13.28 billion Deutsche marks, against 14.68 billion the previous week.

Steel company Mannesmann, which posted poor results for financial 1986 and the first quarter of this year, lost 9.70 DM to 154.80. Siemens was unchanged at 699 DM and AEG lost 2 DM to end the week at 310.50.

Banks were unpopular, with Dresdner off by 6 DM, Commerzbank by 7, and Deutsche Bank by 9.50.

Hong Kong

Enthusiastic buying of property stocks lifted the Hang Seng Index to three successive highs on the Hong Kong stock exchange last week.

The index closed the four-day week at an all-time high of 3,064.33 points, up 144.63 points for the week.

Many dealers said they expected the Hang Seng to peak at 3,100 points this week, then pause for consolidation. But some said the bull run would persist for the rest of June.

The main factor behind the week's buoyancy was a government land auction at which Hang Seng Bank paid a better-than-expected price of 340 million Hong Kong dollars (\$107.59 million) for a prime commercial site. The auction boosted property prices, which influence the leading market barometer strongly.

Milan

Trading was quiet on the Milan stock exchange last week, with volume down by 10.74 percent from the previous week. The Comit index inched up by 0.35 percent for the week.

An average of 18.3 million shares changed hands daily.

The week's most significant progress was scored by Fiat, whose preferred shares rose by 1.33 percent, and savings shares 0.91 percent.

Montedison's ordinary stock lost 2.68 percent in the five sessions. Olivetti was up by 1.66 percent, Mediobanca by 0.74 percent, and Assicurazioni Generali by the same.

London

Two record closes for the Financial Times 30-share index were reached early last week, with brokers confident of a Conservative victory in the June 11 general election.

Shares retreated at midweek, when polls showed the Conservative lead diminishing, but a poll on Friday gave the governing party a 10-point lead and shares recovered well.

The Financial Times industrial share index closed up 17.8 points on the week at 1,729.9.

Banks moved sharply ahead on Brazil's apparent intention to pay up to half its loan interest. But gains were wiped out when the Brazilian Finance Ministry made it clear that interest would only be paid if further loans were approved. A confident mood returned by the end of the week.

Unilever, which agreed to a £1.7 billion (\$2.77 billion) deal of U.S.-based Stauffer Chemicals to ICI, was among firm leading industrials. But ICI moved back on the news.

Paris

Monetary and political factors combined last week to drive values down by more than 4 percent on the Paris Bourse. The CAC index fell to 413.4 from 431.8 the previous Friday.

Share prices dropped sharply on Wednesday as financial circles feared that Alan Greenspan, Paul A. Volcker's successor as chairman of the U.S. Federal Reserve Board, would not

make the fight against inflation a priority. Trading was also unsettled by a feud between the French prime minister, Jacques Chirac, and his minister of culture, Francois Leotard, over the latter's political statements. Investors reportedly feared a political crisis that could force early elections.

Singapore

The Straits Times industrial index climbed 23.54 points last week to an all-time high of 1,243.71 on Friday.

The market was hit by some profit-taking, but stocks were boosted by institutional buying.

Average daily turnover rose to 68.2 million, with an average daily value of 147 million Singapore dollars. Total turnover rose by more than half to 341 million, while value moved up 51 percent to 735 million dollars.

Tan Chong Motors climbed two positions to top the list of active stocks for the week with a turnover of 17.1 million shares, followed by Intraco, with 12.6 million.

Tokyo

Tokyo share prices rose again last week, with the key market indicator, the Nikkei stock average, topping 25,008 yen for the first time.

The 225-blue chip average, ahead by 565.68 yen the week before, added another 498.91 yen to close at 25,271.30 yen on Friday.

Trading was brisk, with around 1.17 billion shares changing hands daily, against the previous week's 1.02 billion shares. Daily turnover averaged 928.14 billion yen, compared with 1,044 billion the previous week.

Institutional and corporate investors moved in Wednesday for domestic-linked shares such as housing and chemicals, pushing the Nikkei average to a record 25,049.40 yen.

A rebound by the dollar led to buying of export-linked issues on Thursday, and the Nikkei average closed up 316.71 yen at 25,366.11. Profit-taking on Friday took the average down.

Some dealers said the Nikkei average would continue to rise, possibly hitting 26,000 yen in July. But others warned that if the dollar resumed its downward trend against the yen after the Venice summit meeting, the stock market could be badly affected.

Zurich

Trading was irregular on the Zurich stock exchange last week, initially upset by the resignation of the chairman of the U.S. Federal Reserve Board, Paul A. Volcker, but later turning steady on reports that Alan Greenspan, Mr. Volcker's successor, intended to make no major changes in monetary policy.

The Credit Suisse index fell from 520.4 the previous Friday to close the week at 517.7, but analysts saw signs of recovery in the week ahead.

Banks were mixed. Union Bank of Switzerland fell 130 Swiss francs to 4,480, while Swiss Bank Corp. gained 4 francs to reach 428.

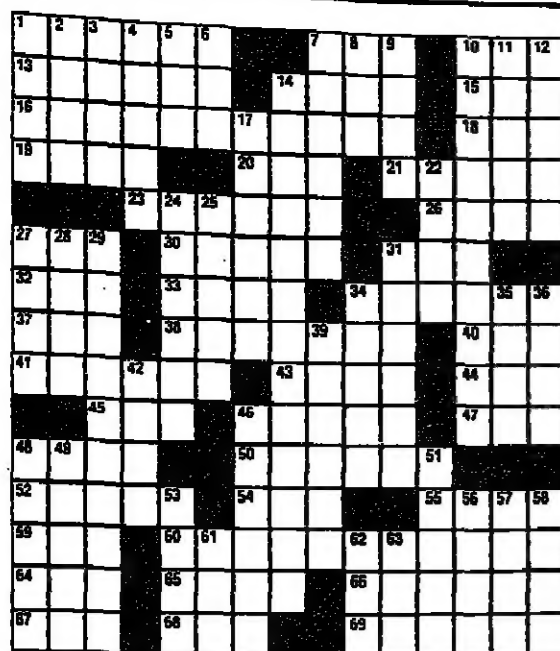
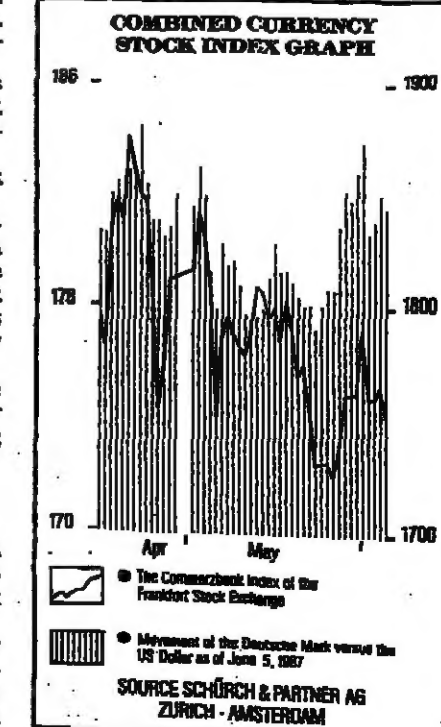
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ACROSS

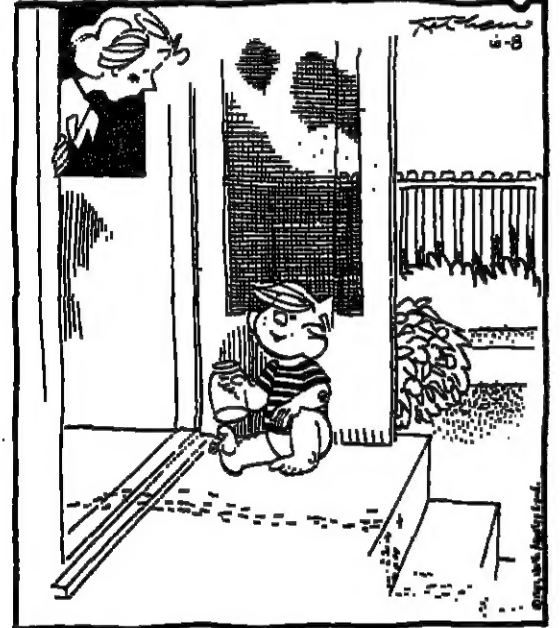
- 1 Philadelphia pro eleven
- 10 Hoover, for one
- 13 Loser to Cleveland: 1884
- 14 Neighbor of the Keys
- 15 Dutch commune
- 16 This provides interest
- 18 Pea holder
- 19 Local
- 20 "Pinafore"
- 21 Steal away to wed
- 23 Sandwich sausage
- 26 Movie dog
- 27 Also
- 30 Effort
- 31 Do slalom
- 32 Actor Marvin
- 33 Adolescent
- 34 Tried to shed weight
- 37 Chart
- 38 Alphabetical listings
- 40 Fury
- 41 Scenes
- 43 Insnore
- 44 Quarter of four

DOWN

- 45 D.A.R. counterpart
- 46 Billiard shot
- 47 Boy in "Little Men"
- 48 Young herring
- 50 Says
- 52 Toolshop machine
- 54 It's often cast
- 55 Russian hut
- 59 Wedding words
- 60 This is needed for 16 Across
- 64 Tarnish
- 65 Profit
- 66 Sauté meat and cook
- 67 Use a lever
- 68 Before, to
- 69 Aslant
- 1 Wanes
- 2 Russian range
- 3 Thomas Wolfe hero
- 4 Prefers
- 5 Finish
- 6 Observe
- 7 Cough
- 8 Honshu sash
- 9 Top of the monk
- 10 Testimony under oath
- 11 Take in a founding
- 12 Euripides play
- 14 Interchange of thoughts
- 17 Synchronized
- 22 Erie or Huron
- 24 Arrow poison
- 25 Mortgages
- 27 — mater
- 28 In the vicinity of
- 29 Place for storage
- 31 Nun
- 34 Thirk
- 35 Sea bird
- 36 Legal document
- 39 Hindu groups
- 42 School sub
- 43 Child's make-believe food
- 48 Pampous, smug
- 49 "M-A-S-H" character
- 51 Rope material
- 53 Flange
- 56 Narrow cut
- 57 Cold Alpine
- 58 Mimicked
- 61 Unit of corn
- 62 Teamster org.
- 63 Prefix with cycle or angle

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DENNIS THE MENACE



"I'm not letting in any flies, Mom... just ants."

JUMBLE

THAT SCRAMBLED WORD GAME
by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

UROCC

SCOUF

TUNBOY

CORNAY

And one for my friend

RAB

WHAT HIS PAL THE SKELETON WAS.

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here: A

(Answers tomorrow, Friday's)

Jumbles GUISSE AGING LARYNA THRUSS
Answer What repair work on that auto mirror can be EXHAUSTING

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algarve	24	18	6	24	18
Amsterdam	16	11	52	24	18
Athens	27	21	11	24	18
Barcelona	23	17	16	24	18
Batavia	27	21	11	24	18
Berlin	21	15	19	24	18
Brussels	21	15	12	24	18
Bucharest	27	21	11	24	18
Budapest	27	21	11	24	18
Copenhagen	21	15	12	24	18
Costa del Sol	24	18	14	24	18
Dublin	12	7	4	24	18
Edinburgh	17	12	14	24	18
Frankfurt	17	12	14	24	18
Geneva	15	10	15	24	18
Helsinki	15	10	15	24	18
Los Palmas	27	21	11	24	18
London	19	14	12	24	18
Lyon	15	10	15	24	18
Madrid	20	15	12	24	18
Moscow	20	15	12	24	18
Munich	19	14	12	24	18
Nice	21	16	12	24	18
Oslo	14	9	12	24	18
Paris	19	14	12	24	18
Prague	16	11	15	24	18
Reykjavik	10	5	4	24	18
Rome	20	15	12	24	18
Stockholm	17	12	14	24	18
Strasbourg	17	12	14	24	18
Venice	22	17	14	24	18
Vienna	22	17	14	24	18
Zurich	15	10	15	24	18
MIDDLE EAST					
Ankara	21	16	12	24	18
Batavia	27	21	11	24	18
Colo	21	16	12	24	18
Damascus	27	21	11	24	18
Istanbul	27	21	11	24	18
Jerusalem	27	21	11	24	18
Tel Aviv	27	21	11	24	18
OCEANIA					
Auckland	16	11	5	24	18
Sydney	16	11	5	24	18

MONDAY'S FORECAST — CHANNEL: Rough. FRANKFURT: Showers. Temp. 15-21. LONDON: Cloudy. Temp. 14-18. NEW YORK: Partly cloudy. Temp. 68-78. PARIS: Partly cloudy. Temp. 15-21. ROME: Partly cloudy. Temp. 15-21. SINGAPORE: Partly cloudy. Temp. 27-32. SYDNEY: Partly cloudy. Temp. 15-21. TOKYO: Partly cloudy. Temp. 15-21.

SPORTS

Lendl Beats Wilander to Keep Crown

PARIS — Ivan Lendl of Czechoslovakia retained his men's singles title at the French Open tennis championships Sunday, beating Mats Wilander of Sweden, 7-5, 6-2, 3-6, 7-6, in a match that finished in rain and semi-darkness.

Lendl, appearing in his fourth successive final, took 4 hours and 17 minutes to clinch the title for the third time. He won last year and in 1984, but lost to Wilander in 1985. It was the fifth grand slam success for the 27-year-old Czechoslovak, the world's No. 1 player, who has also won the U.S. Open twice.

The match was interrupted by rain in the middle of the fourth set with Lendl leading 3-2. When play resumed under gray skies 35 minutes later, Wilander won the first six points—holding serve for 3-3 and moving to love-30 on Lendl's service.

But Lendl recovered his concentration, hitting three winners and rallying to hold for 4-3. Both men then held at love, and Wilander twice had to serve to save the match, first at 4-5 and then at 5-6; he succeeded, sending the set into a tiebreaker.

With rain falling again, Lendl ripped off the first four points in style, but then let the Swede back in with two sloppy errors. Yet a superb, stretching backhand passing shot down the line took Lendl to 5-2, and he moved to 6-2—and four match points—after Wilander hit a service return late and long, thinking the serve had been out. The Swede saved one match point with a smash, but then was long with a forehand.

Wilander, who was also going for his third French title after winning in 1982 and 1985, had come into the tournament as the No. 4 seed and a strong favorite after taking clay-court titles in Monte Carlo and Rome in the previous six weeks.

He had Lendl in trouble in the third set, and at times in the fourth, but was not as

consistent as he had been in earlier matches—including his straight-set victories over Yannick Noah and Boris Becker in the quarterfinals and semifinals, respectively.

Lendl, who showed his mental at vital stages of Sunday's final, said he'd never had a harder challenge. "I have played many tough matches in this tournament," he said. "I think, overall, this is the hardest of the five grand slam titles I've won."

FRENCH OPEN TENNIS

The final was marked by long baseline rallies but improved in quality as the rain threatened to cause a postponement. Lendl dominated during the first two sets, serving well and hitting deeper groundstrokes.

He continued to hold easily at the start of the third, and looked as if he might finish the match in straight sets. He lost only one point in his first two service games, while Wilander twice had to rally from 0-30 to hold.

In the set's fifth game, Lendl had a clear shot at breaking for 3-2 but, netting two break-point volleys, missed his chance; Wilander held, and Lendl remained a game behind. Each held serve before Wilander broke for a 3-3 lead with a backhand pass down the line that brought the biggest cheer of the match. The Swede drew within 1-2 on his first set point, when Lendl hit a backhand long.

Lendl had taken a two-set lead—the first in 1 hour, 20 minutes, the longest of the two-week tournament, and the second in 39 minutes as he stepped up the pace and had Wilander on the defensive.

After dropping the opening set, Wilander went ahead by 1-0 in the second but, hitting a smash long, was broken in the third game. Lendl then won three straight service games at love and then broke with a driving volley for a 3-2 lead and was serving for a 2-0 edge in sets.

Wilander carved out two break points, but Lendl saved both. When he moved to set point, Lendl hit a backhand barely wide but produced a winner on the next point to give him a second chance. This time he made no mistake, putting away a deep backhand volley to take the set, 6-2.

In a tedious opening set, both players slugged out rallies from the baseline, only rarely bringing to life a muted center court crowd of 16,000.

Wilander won the opening game at love on four errors. He then broke for a 2-0 on his third break point.

Lendl broke right back with a backhand down the line that Wilander netted. Both held serve before Lendl broke for a 4-3 lead. His deeper groundstrokes pining Wilander back. But the Swede pulled back to 4-4 in the next game. Not until the end of the ninth game did Wilander come to the net, saving a break point with his first volley of the match and moving to 5-4.

Lendl held for 5-5 before again breaking Wilander. Then a running forehand pass, a cross-court volley and a first-service winner helped him to two set points. He won with a deep smash that landed just inside the baseline.

Lendl's triumph avenged the loss to Wilander here in 1985 and erased memories of five months earlier this year with just one tournament victory—a span during which he underwent arthroscopic knee surgery.

After the match, Lendl sent a pointed message to some of his colleagues.

"Many people said that I couldn't win—that I wasn't fit, that I wasn't confident, that I didn't play hard, that I wasn't mentally tough," he said. "I am glad to prove them all wrong."

Becker, who beat Lendl for his second straight Wimbledon title last summer, said after losing to Wilander in the semifinals



Ivan Lendl, changing shirts during a soggy final at Roland Garros Stadium.

here that Lendl was "not the strongest mentally, and the players know it."

Lendl said he had read Becker's comments "yesterday morning, when he was already out."

"Your read that—you don't hear it in the locker room, because they don't have the guts," Lendl said. "They'd save a lot of time if they just came to you."

Blue Jays Nip Orioles in 9th

The Associated Press

TORONTO — Garth Ringer singled in Rance Mulliniks from second base with two outs in the bottom of the ninth inning to give the Toronto Blue Jays a 3-2 victory over Baltimore Sunday in the American League.

The victory was the Blue Jays' fifth straight. The Orioles have lost four straight and eight of their last nine games.

Mulliniks led off the ninth with a walk, the first issued by starter Mike Boddicker, and was sacrificed to second by Willie Upshaw. After Ernie Whitworth was walked intentionally, Rick Leach popped out, long followed by his game-winning single to center field.

Reliever Mark Eichhorn got the victory to boost his record to 7-2. Whitworth hit a controversial two-run homer in the first. With one out, Upshaw singled and Whitworth followed with a long, high drive that was curving toward the right-field foul pole.

With right fielder Jim Dwyer and the entire Orioles bullpen pointing foul, the first base umpire, Ken Kaiser, called the ball fair. Baltimore's manager, Cal Ripken Sr., argued the decision with Kaiser.

Cal Ripken Jr. led off the sixth with his 14th home run of the season, lifting Baltimore into a 2-2 tie. The Orioles had scored their first run in the fifth when Terry Kennedy opened with a single and Larry Sheets hit an RBI double.

Tigers 18, Red Sox 8 in Boston.

SUNDAY BASEBALL

The Associated Press

Matt Nokes hit two homers and drove in four runs and Chet Lemon homered and drove in four, leading a 21-hit attack as Detroit routed the Red Sox. Tom Brookens also homered, and Nokes, Lemon, Bill Madlock, Darrell Evans and Lou Whitaker had three hits apiece.

Phillies 3, Expos 1: In the National League, in Philadelphia, rookie Mike Jackson held Montreal hitless for eight innings until Tim Lincecum led off the ninth with a double as the Phillies downed the Expos. Jackson, who finished with a two-hitter, struck out a career-high six and walked four.

Celtics Get Back Into Race In 109-103 Defeat of Lakers

The Associated Press

BOSTON — The Boston Celtics, buoyed by their return home and the scoring of Larry Bird and Dennis Johnson, slowed the Los Angeles Lakers Sunday.

The Celtics scored only six baskets on fast breaks.

The Celtics, who never led in the second half of the first two games, never trailed in the second half Sunday despite several Lakers rallies.

The Lakers' Earvin (Magic) Johnson, who led all scorers with 32 points, hit a three-point play with 3:03 left to make it 104-99 before Bird hit two free throws 11 seconds later.

The Lakers had two overwhelming victories at home in which they scored more than a 100 of their 267

points on fast-break baskets. But the Celtics slowed the Los Angeles running game enough to get back into the race for their 17th championship. Two more games are scheduled for Boston, on Tuesday and Thursday, before the series goes back to California, if needed.

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The Lakers had two overwhelming victories at home in which they scored more than a 100 of their 267

Graf Beats Navratilova, Is Youngest Woman to Win French Title



Steffi Graf, the French Open champion at 17.

By Roger M. Williams

New York Times Service

PARIS — Seventeen-year-old

challenger should be vulnerable to

neovousness and 30-year-old cham-

pions should be immune to it, but

the reverse proved true in Saturday's

women's final of the French Open.

Steffi Graf of West Germany, who

will turn 18 this week, won her first

grand slam championship and es-

tablished herself, at least for now, as

the top player in women's tennis.

Graf overcame a 3-5 deficit in the

final set to defeat Martina Navratilova,

6-4, 4-6, 8-6. Navratilova won

the tournament in 1982 and 1984

and has been runner-up the last

three years.

Graf's victory owed a lot to her

opponent's mistakes. Ahead by 5-4

in the third set and serving for the

match, Navratilova double-faulted.

She did it again at 6-7, and that

gave Graf the match, making her

the youngest woman ever to win

the French Open.

But Graf played well enough to

win on her own. Her backhand, gen-

erally considered a poor relation of

her powerful forehand, withstood a

relentless pounding from the net

rushes of Navratilova. And her

nerves withstood the pressures of

the biggest match of her life.

"She never missed a shot when

she was down," Navratilova said

after the match. "In the final set she

won three games on which I had

game points." The suggestion was

that that should not happen in a

grand slam final to a player steeped

in the experience of winning.

It was an unusually galling de-

feat for Navratilova. She had lost

three-set finals to Chris Evert the

last two years and she entered this

French Open without having won a

tournament in 1987. She regarded

Saturday's final as her chance to

prove that she's still the best.

There were few tactical subtleties

in match played in a swirling wind.

In the past two weeks, Navratilova

had been regaining her confidence

in her attacking game. Even on this

slow surface she was determined to

take the net at every opportunity.

After a few tentative games she

did just that, generally going in

behind her first serve, seldom play-

SCOREBOARD

Baseball

Major League Line Scores

FRIDAY'S RESULTS

AMERICAN LEAGUE

California 100 000 000 — 2 5 9
Toronto 000 000 000 — 1 2 0
E. Baltimore 000 000 000 — 1 2 0
K. White Sox 000 000 000 — 1 2 0
B. Sox 000 000 000 — 1 2 0
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